ACCEL AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

ACCEL AND SUBSIDIARIES

We have audited the accompanying consolidated financial statements of ***ACCEL and Subsidiaries***, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Consolidated Financial Statements

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of ***ACCEL and Subsidiaries*** as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the consolidated financial statements, ***ACCEL and Subsidiaries*** adopted Financial Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2019. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the consolidated financial statements, ***ACCEL and Subsidiaries*** changed its method of accounting for revenue from contracts effective July 1, 2018, under the modified retrospective method.

Mayer Hoffman McCann P.C.

November 22, 2019

ACCEL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 612,608
Tuition receivable	848,146
Adult education receivable	135,847
Clinic fees receivable	192,025
Promises to give	215,600
Prepaid expenses	59,796
Assets whose use is limited, current portion	602,037
TOTAL CURRENT ASSETS	2,666,059
INVESTMENTS	133,474
CASH RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT	35,153
PROPERTY AND EQUIPMENT, net	13,464,843
ASSETS WHOSE USE IS LIMITED, net of current portion	995,776
DEFERRED TAX ASSET, net	181,466
DEPOSITS	27,411
TOTAL ASSETS	$ 17,504,182

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Line of credit	$ 215,000
Accounts payable	153,428
Accrued expenses	388,997
Accrued payroll	222,525
Current maturities of bonds payable, less unamortized bond issuance costs	192,778
Current maturities of long-term debt	42,173
TOTAL CURRENT LIABILITIES	1,214,901
DEFERRED RENT	48,692
BONDS PAYABLE, less current maturities and unamortized bond issuance costs	13,749,480
LONG-TERM DEBT, less current maturities	94,788
TOTAL LIABILITIES	15,107,861
NET ASSETS	
Without donor restrictions	2,166,619
With donor restrictions	229,702
TOTAL NET ASSETS	2,396,321
TOTAL LIABILITIES AND NET ASSETS	$ 17,504,182

See Notes to Consolidated Financial Statements

ACCEL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Tuition revenue			
Metro campus	$ 7,732,460	$ -	$ 7,732,460
Tempe campus	3,391,319	-	3,391,319
Adult education programs	2,036,077	-	2,036,077
Classroom consulting fees	15,238	-	15,238
Clinic fees	1,064,336	-	1,064,336
Contributions	1,345,748	233,150	1,578,898
Investment income	27,812	-	27,812
Other revenue	38,809	-	38,809
Net assets released from restrictions	124,920	(124,920)	-
TOTAL REVENUE AND SUPPORT	15,776,719	108,230	15,884,949
EXPENSES			
Program services:			
Metro campus	8,325,047	-	8,325,047
Tempe campus	2,420,409	-	2,420,409
Adult education programs	2,179,645	-	2,179,645
The BISTA Center	1,261,181	-	1,261,181
Ajyal Center	156,316	-	156,316
Total program services	14,342,598	-	14,342,598
Supporting services:			
Administrative	982,488	-	982,488
Fundraising	339,848	-	339,848
Total supporting services	1,322,336	-	1,322,336
TOTAL EXPENSES	15,664,934	-	15,664,934
LOSS ON DEFEASANCE OF DEBT	(60,538)	-	(60,538)
CHANGE IN NET ASSETS	51,247	108,230	159,477
NET ASSETS, BEGINNING OF YEAR	2,115,372	121,472	2,236,844
NET ASSETS, END OF YEAR	$ 2,166,619	$ 229,702	$ 2,396,321

ACCEL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services								
	Metro Campus	Tempe Campus	Adult Education Programs	The BISTA Center	Ajyal Center	Total Program Services	Administrative	Fundraising	Total Expenses
Salaries	$ 5,425,909	$ 1,735,734	$ 1,430,877	$ 828,742	$ 29,726	$ 9,450,988	$ 665,671	$ 189,205	$ 10,305,864
Payroll and other taxes	387,121	125,616	105,963	60,152	1,935	680,787	45,066	12,806	738,659
Other employee benefits	602,323	119,005	136,276	60,871	7,004	925,479	55,474	22,751	1,003,704
Total employee related expenses	6,415,353	1,980,355	1,673,116	949,765	38,665	11,057,254	766,211	224,762	12,048,227
Computer expense	7,366	5,232	550	1,200	144	14,492	5,599	140	20,231
Bad debt expense	-	-	-	65,115	-	65,115	-	-	65,115
Depreciation and amortization expense	338,272	115,169	31,699	9,246	-	494,386	26,438	293	521,117
Dues and subscriptions	6,466	4,691	2,199	1,722	13,145	28,223	6,424	21,542	56,189
Education and seminars	67,396	2,271	4,758	5,856	-	80,281	9,065	3,291	92,637
Equipment leases	25,677	8,840	1,742	20,608	2,389	59,256	2,762	4,025	66,043
Fundraising, publicity and marketing supplies	-	-	-	-	-	-	-	25,116	25,116
Insurance	76,814	20,651	12,039	10,401	5,910	125,815	6,331	-	132,146
Interest	638,060	103,751	7,889	-	-	749,700	22,360	2	772,062
Lunch program	38,464	20,822	-	-	-	59,286	-	-	59,286
Vocational supplies	24,400	1,154	26,714	-	-	52,268	-	-	52,268
Miscellaneous	20,806	8,037	2,843	4,409	1,336	37,431	14,395	1,179	53,005
Nursing and psychology	10,909	1,848	378	-	-	13,135	-	-	13,135
Office supplies	10,062	3,966	4,392	6,309	1,989	26,718	3,617	355	30,690
Contractors expense	28,295	7,720	71,794	82	-	107,891	-	-	107,891
Postage	1,668	300	413	40	1,110	3,531	1,849	1,595	6,975
Development and training	858	-	-	-	-	858	-	-	858
Professional services	8,935	263	9,036	29,643	10,810	58,687	219,174	37,700	315,561
Rent	180,887	-	201,558	106,178	-	488,623	36,941	-	525,564
Repairs and maintenance	150,159	51,789	2,886	3,663	-	208,497	1,178	-	209,675
School and program supplies	102,450	29,884	27,325	2,623	-	162,282	-	-	162,282
Staff recognition	7,558	1,672	3,638	1,649	-	14,517	8,868	325	23,710
Telephone	26,445	8,135	8,443	11,008	216	54,247	15,689	2,855	72,791
Therapy	15,300	421	-	67	9,678	25,466	-	-	25,466
Transportation and travel	23,725	14,735	85,601	27,586	33,865	185,512	16,667	4,512	206,691
Utilities	96,421	27,789	282	352	-	124,844	336	-	125,180
Value added tax expense	-	-	-	-	36,474	36,474	-	-	36,474
Income tax benefit	-	-	-	-	-	-	(181,416)	-	(181,416)
Fundraising events expenses	2,301	914	350	3,659	585	7,809	-	12,156	19,965
TOTAL EXPENSES	$ 8,325,047	$ 2,420,409	$ 2,179,645	$ 1,261,181	$ 156,316	$ 14,342,598	$ 982,488	$ 339,848	$ 15,664,934

ACCEL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 159,477
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	521,117
Bad debt expense	65,115
Amortization of bond issuance costs	31,613
Loss on defeasance of debt	60,538
Change in net deferred tax asset	(181,466)
Contributions restricted to investment in property and equipment	(160,600)
Realized and unrealized gains on investments	(7,208)
Decrease (increase) in:	
Tuition receivable	(358,354)
Adult education receivable	19,599
Clinic fees receivable	119,846
Promises to give	(95,500)
Prepaid expenses	110,541
Increase (decrease) in:	
Accounts payable	32,705
Accrued expenses	374,625
Accrued payroll	24,905
Deferred rent	(8,278)
Net cash provided by operating activities	708,675
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(9,627,933)
Purchases of investments	(2,933)
Proceeds from sales of investments	14,631
Change in assets whose use is limited	(1,597,813)
Change in deposits	86,250
Net cash used in investing activities	(11,127,798)
CASH FLOWS FROM FINANCING ACTIVITIES	
Collection of contributions restricted to investment in property and equipment	94,200
Borrowings on line of credit	4,410,000
Payments on line of credit	(4,195,000)
Principal payments on long-term debt	(3,476,655)
Proceeds from issuance of Series 2018 bonds	14,730,000
Payments of bond issuance costs	(819,355)
Net cash provided by financing activities	10,743,190
NET CHANGE IN CASH AND CASH EQUIVALENTS	324,067
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	323,694
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 647,761
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	$ 367,661

See Notes to Consolidated Financial Statements

(1) Organization's operations and summary of significant accounting policies

Nature of operations – ACCEL, Arizona Centers for Comprehensive Education and Life Skills, was incorporated in 1980 as LATCH School, Inc. In 2005, LATCH School, Inc. officially changed its name to ACCEL. ACCEL's mission is to provide exceptional educational, behavioral, therapeutic and vocational programs to individuals with cognitive, behavioral and physical challenges, to give them the necessary skills to learn, work and to live successfully with dignity and independence. ACCEL is accredited by the National Commission for Accreditation of Special Education Services. ACCEL contracts with over 40 Maricopa County school districts and serves over 300 special needs children and adults on five sites within Maricopa County in Arizona.

ACCEL's major programs are as follows:

School programs (Metro Campus and Tempe Campus) – ACCEL operates school programs located in Phoenix and Tempe as well as satellite classrooms on Arizona public school district campuses. All programs incorporate innovative, individualized, evidenced based practices in applied behavior analysis and structured teaching. Students with a wide range of developmental abilities are taught using a functional life skills curriculum aligned with the Arizona Academic Standards in small sized classrooms with a low student to staff ratio, in addition to an extensive vocational program/transition curriculum, focusing on dignity, independence and community skills.

Adult education programs – The Adult Services program provides adults with functional disabilities, ages 18 and older, an opportunity to gain valuable employment skills through practical, "hands on," training experience in creative, enterprise-based businesses such as screen printing and managing a coffee shop and gift boutique, and in other activities that reinforce these skills. Adults receive lifelong training and education, affirming their self-worth and enabling them to fully participate in the workforce and community.

The BISTA Center – ACCEL BISTA Center offers intensive behavioral services at local clinics, homes and community settings. The staff at BISTA has experience in working with individuals with autism spectrum disorder, including those diagnosed with Asperger's Syndrome and pervasive developmental disorder-not otherwise specified ("PDD-NOS"). The staff also specializes in working with children with other disabilities. BISTA provides functional behavior assessments, academic assessments and speech services.

During the year ended June 30, 2014, ACCEL established the ACCEL Foundation (the "Foundation") for the purpose of raising monies to fund programs that provide support and training to increase community awareness for both children and adults with special needs.

In February 2019, ACCEL purchased all outstanding shares of ACCEL International, Inc. Prior to 2019, ACCEL International, Inc. had no operations. ACCEL International, Inc. is a Delaware corporation and was established to serve as the sole member of ACCEL International Saudi, Inc. for Education.

Ajyal Center – In February 2019, ACCEL formed ACCEL International Saudi, Inc. for Education as a single shareholder limited liability company in accordance with the Companies Law issued by Royal Decree in the Kingdom of Saudi Arabia. ACCEL International, Inc. serves as the sole member of ACCEL International Saudi, Inc. for Education. ACCEL International Saudi, Inc. for Education's registration in the Kingdom of Saudi Arabia has a term of 99 years and can be dissolved by a resolution of the single shareholder. ACCEL International Saudi, Inc. for Education was established to operate a special needs center in the Kingdom of Saudi Arabia.

(1) <u>Organization's operations and summary of significant accounting policies (continued)</u>

In April 2019, ACCEL International Saudi, Inc. for Education and the Saudi Arabian Oil Company ("Saudi Aramco") entered into an operation agreement ("Saudi Agreement") whereby ACCEL International Saudi, Inc. for Education is to assist in developing and operating the Ajyal Special Needs Center ("ASNC") in the Kingdom of Saudi Arabia. Pursuant to the Saudi Agreement, the program is to include special education and support services, such as speech, occupational, physical, art, behavioral therapies, life skills, and assistive technology training, recreational programs including maker education, prevocational and vocational training therapies. Saudi Aramco is responsible for constructing, furnishing and maintaining the program premises.

The Saudi Agreement has an initial five year term with the option of Saudi Aramco to extend the agreement for a subsequent five years prior to the expiration of the initial term. The Saudi Agreement includes a mobilization and funding plan which outlines key milestones to be reached in order for ACCEL International Saudi, Inc. for Education to receive funding from Saudi Aramco. For the year ended June 30, 2019, ACCEL International Saudi, Inc. for Education received an initial contribution from Saudi Aramco in the amount of $750,000 to assist in the initial startup costs of ASNC. In September 2019, ACCEL International Saudi, Inc. for Education commenced operations of the ASNC.

In July 2019, ACCEL International, Inc. was incorporated in the state of Arizona.

Consolidated financial statements – ACCEL has an economic interest in and control over the Foundation and is the sole owner of the outstanding stock of ACCEL International, Inc., which is the sole member of ACCEL International Saudi Inc. for Education. Accordingly, the consolidated financial statements include the accounts of ACCEL, the Foundation, ACCEL International, Inc. and ACCEL International Saudi, Inc. for Education (collectively referred to hereafter as the "Organization"). All significant inter-organization transactions and accounts have been eliminated in consolidation. The financial position and operations of ACCEL International, Inc. and ACCEL International Saudi, Inc. for Education have been consolidated into and presented within the financial position and operations of ACCEL International, Inc. in the accompanying consolidating statement of financial position and consolidating statement of activities and changes in net assets.

The Financial Accounting Standards Board ("FASB") sets generally accepted accounting principles in the United States of America ("GAAP") to ensure consistent reporting. References to GAAP are to the FASB Accounting Standards Codification ("ASC").

Basis of presentation – The accompanying consolidated financial statements are presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, including the adoption of Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities* in 2019. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

(1) Organization's operations and summary of significant accounting policies (continued)

Net assets with donor restrictions
Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2019, the Organization has no donor restrictions which were perpetual in nature.

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

Management's use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents – Cash consists of cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each financial institution are insured in limited amounts by the Federal Deposit Insurance Corporation. As of June 30, 2019, the Organization had $159,594 of cash deposits in a financial institution under the jurisdiction of the Kingdom of Saudi Arabia, which is not insured.

In accordance with the adoption of FASB Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230)*, the following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated statement of financial position that aggregate to the total of the same such amounts shown in the consolidated statement of cash flows:

Cash and cash equivalents	$	612,608
Cash restricted to investment in property and equipment		35,153
Total cash, cash equivalents, and restricted cash presented in the consolidated statement of cash flows	$	647,761

Receivables – Tuition, adult education and clinic fees receivables are carried at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Management considers receivables to be fully collectible as of June 30, 2019 and, accordingly, an allowance for doubtful accounts is not considered necessary.

(1) Organization's operations and summary of significant accounting policies (continued)

Promises to give – Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the promise to give is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the promise to give's collectability. Amortization of any discount is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At June 30, 2019, promises to give are considered by management to be fully collectible, and accordingly, an allowance for uncollectible promises to give is not considered necessary. All promises to give are due within one year.

Investments – The Organization accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities.* Under FASB ASC 958-320, the Organization is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair values of these investments are based on quoted market prices. Investments are classified as noncurrent in the accompanying consolidated statement of financial position based on management's intent.

Investment income (loss) from investments, including realized and unrealized gains and losses, is reported as increases or decreases in net assets without donor restrictions, unless a donor restricts their use.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

Assets whose use is limited – Assets whose use is limited includes cash and cash equivalents held by the bond trustee in accordance with the Bond Agreement described in Note 5. Amounts required to meet long-term liabilities and expenses of the Organization have been classified as long-term assets in the accompanying consolidated statement of financial position.

Fair value measurements – FASB ASC 820, *Fair Value Measurement,* establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

(1) Organization's operations and summary of significant accounting policies (continued)

Level 3: Inputs to the valuation methodology are unobservable inputs for the asset or liability.

Property and equipment and related depreciation and amortization – Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at fair value at the date of gift to the Organization. Maintenance and repairs are charged to operations when incurred. Purchases of property and equipment in excess of $500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization is computed on a straight-line basis using the following estimated useful lives:

Buildings	10 - 20 years
Equipment	1 - 10 years
Leasehold improvements	10 - 30 years
Vehicles	5 - 7 years
Autism clinic software	3 - 5 years

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. No impairment charges were recorded for the year ended June 30, 2019.

Deferred rent – The Organization leases certain office space, as well as other premises. A number of the leases include scheduled base rent increases over their term. The total amount of base rent payments, including scheduled increases, is expensed on the straight-line method over the term of the leases. The deferred lease liability represents the excess of such amounts over actual cash payments.

Revenue recognition and adoption of Topic 606 – In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* The core principle of ASU 2014-09 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disaggregated disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The Organization adopted ASU 2014-09 effective July 1, 2018, using a modified retrospective approach. The adoption of ASU 2014-09 did not have a material impact on the Organization's consolidated financial statements as the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised services. The performance obligations of the contracts are all satisfied within the fiscal year and are generally aligned with the educational programming year for the Organization.

(1) Organization's operations and summary of significant accounting policies (continued)

The Organization derives its tuition revenues from providing educational instruction services under contracts with school districts and under contracts related to adult behavioral education with the Arizona Department of Economic Security, Division of Developmental Disabilities ("DES-DDD"). Tuition revenues are also derived from scholarships for approved students funded by local foundations and governmental agencies. The Organization generates revenue under clinic related contracts with various insurance providers, as well as private pay contracts, which are billed at contracted rates. Revenues are recognized when these services are provided by the Organization, in an amount that reflects the consideration the Organization expects to be entitled to in exchanges for those services. The Organization elected the practical expedient of expensing costs incurred to obtain a contract as the costs are generally immaterial and the amortization period would be for one year or less.

Tuition revenue from contracts with school districts and through scholarships is generated through performance obligations satisfied over time as the instruction services are provided over the course of each month to enrolled students, based on rates agreed to for the applicable school year with each specific school district. The period of performance in each school district contract aligns with the Organization's fiscal year. Revenue generated through performance obligations satisfied over time totaled approximately $11,124,000 for the year ended June 30, 2019.

Tuition revenue from adult behavioral education contracts is generated through performance obligations satisfied at a point in time as the service is provided to an enrolled student. Clinic fee revenue from contracts with insurance providers and private pay contracts is generated through performance obligations satisfied at a point in time as the service is rendered to the individual. Revenue generated through performance obligations satisfied at a point in time totaled approximately $3,155,000 for the year ended June 30, 2019.

All of the Organization's contracts with customers include a single performance obligation to transfer the promised service, specifically to provide educational instruction services, to generate tuition revenue or to provide clinical services to generate clinic fee revenue. The Organization invoices for the services either during the month of service for school district contracts or at the time of service for all other contracts. The Organization does not have any significant financing components as payment is generally received in a customary time frame for the customers. The contracts do not contain material amounts of variable consideration. At contract inception, the Organization evaluates the probability of collecting the transaction price based on the history of payment by the customer.

Contributions – The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions with donor restrictions or contributions without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions on the consolidated statement of activities and changes in net assets depending on the nature of the restriction. All contributions are considered to be available for use unless specifically restricted by the donor. 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 consolidated statement of activities and changes in net assets as net assets released from restrictions. Restricted support, where restrictions are met in the same period as the donation is made, is shown as additions to net assets without donor restrictions.

For the year ended June 30, 2019, contributions from Board members totaled $9,000.

(1) Organization's operations and summary of significant accounting policies (continued)

Donated materials and services – Donated materials and services are reflected in the accompanying consolidated financial statements at their estimated fair value at the date of the donation. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. No amounts have been reflected in the consolidated financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services and fundraising campaigns.

Functional expenses – The costs of providing the Organization's various programs and other activities have been reported on a functional basis in the accompanying consolidated statement of activities and changes in net assets. The consolidated statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services using appropriate allocation methods. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization and are allocated based on personnel or other appropriate indicators. For the year ended June 30, 2019, the Organization had no material allocations of expenses to more than one function.

Financial instruments and credit risk – The Organization manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Additionally, the Organization's cash deposits totaling $159,594 at June 30, 2019 in a financial institution under the jurisdiction of the Kingdom of Saudi Arabia are not insured. To date, the Organization has not experienced losses in any of these accounts.

The Organization extends unsecured credit to school districts and to various payor sources for clinic clients. Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental or quasi-governmental agencies supportive of the Organization's mission. As of June 30, 2019 the DES-DDD and two school districts made up 12%, 16% and 14%, respectively, of the receivable balance.

Income tax status – ACCEL and the Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes. In addition, ACCEL and the Foundation qualify for the charitable contribution deduction under Section 170 of the Code and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income would be taxable and accounted for under the asset and liability method.

(1) Organization's operations and summary of significant accounting policies (continued)

ACCEL International, Inc. is a domestic C-corporation that does not qualify as a tax-exempt organization under the Code. For ACCEL International, Inc. income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the tax and financial reporting bases of the entity's assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in future years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced through the establishment of a valuation allowance, if, based upon available evidence, it is determined that it is more likely than not that the deferred tax assets will not be realized (see Note 8).

ACCEL International Saudi, Inc. for Education is a single shareholder limited liability company in the Kingdom of Saudi Arabia and in accordance with the tax code of Saudi Arabia meets the definition of a resident corporation. A resident corporation is taxed on income arising in Saudi Arabia at a general corporate tax rate of 20%. Tax losses may be carried forward indefinitely for use against future years' taxable income, subject to a maximum offset of 25% of the annual taxable profits. ACCEL International Saudi, Inc. for Education operated at a loss for the period ended June 30, 2019 and will file a tax return for the period ended December 31, 2019.

The Organization evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts.

ACCEL and the Foundation's federal Returns of Organizations Exempt from Income Tax (Form 990 and 990T) for fiscal 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the fiscal 2019 returns have not yet been filed. The tax returns for ACCEL International, Inc. and ACCEL International Saudi, Inc. for Education for 2019 have not yet been filed.

Foreign currency – The Organization's functional currency for operations of ACCEL International Saudi, Inc. for Education in the Kingdom of Saudi Arabia is the U.S. dollar. Monetary assets and liabilities are translated at exchange rates in effect at the end of the year. Transactions occurring during the year are translated at a rate in effect on the day of the transaction. Gains and losses from foreign currency transactions are included in current results of the Organization's operations and were not material for fiscal 2019.

Recent accounting pronouncements – In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 is intended to clarify current guidance about whether a transfer of assets is a contribution or an exchange transaction. The Organization adopted ASU 2018-08 for the year ended June 30, 2019, applied on a modified prospective basis. The adoption of ASU 2018-08 did not have a material impact on the consolidated financial statements.

(1) Organization's operations and summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of activities changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. ASU 2016-02 will be effective for the Organization beginning in fiscal 2020. The Organization has estimated that if they were to adopt the standard for the year ended June 30, 2019, a non-current right of use asset of approximately $3,962,000 would be recorded and a corresponding current and non-current lease liability of approximately $393,000 and $3,569,000, respectively, would be recorded in the accompanying consolidated statement of financial position. The estimate was calculated using the minimum future lease payments (see Note 9) and an estimated risk-free rate of 2.15%.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230).* This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amount generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amount shown in the statement of cash flows. The amendments in the ASU do no provide a definition of restricted cash or restricted cash equivalents. The Organization adopted ASU No. 2016-18 for the year ended June 30, 2019. The Organization has included in Note 1 a reconciliation of the cash, cash equivalents and restricted cash presented in the consolidated statement of cash flow to the individual balances in the consolidated statement of financial position.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Organization has adopted ASU 2016-14 for the year ended June 30, 2019. All amounts previously reported as temporarily restricted or permanently restricted net assets have been reclassified to net assets with donor restrictions upon adoption of this standard. In accordance with the amendments of this ASU, the Organization elected to present expenses by function and nature as a separate statement of functional expenses. Disclosure around liquidity and availability of resources are included in Note 12. Current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. The Organization will present the operating cash flows using the indirect method.

A summary of the beginning net asset reclassifications at July 1, 2018 driven by the adoption of ASU 2016-14 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Without donor restrictions**	**With donor restrictions**	**Total Net Assets**
As previously reported:			
Unrestricted	$ 2,115,372	$ -	$ 2,115,372
Temporarily restricted	-	121,472	121,472
Net assets, as restated	$ 2,115,372	$ 121,472	$ 2,236,844

Subsequent events – The Organization has evaluated subsequent events through November 22, 2019 which is the date the consolidated financial statements were available to be issued.

(2) Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 2,773	$ -	$ -	$ 2,773
Equity funds	80,158	-	-	80,158
Fixed income funds	38,255	-	-	38,255
Alternatives	12,288	-	-	12,288
Total investments at fair value	$ 133,474	$ -	$ -	$ 133,474

The Organization has no other assets or liabilities measured at fair value other than at initial recognition.

(3) Property and equipment

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

Land	$ 1,849,540
Buildings	12,287,591
Equipment	991,406
Leasehold improvements	1,068,030
Vehicles	366,189
Autism clinic software	50,000
	16,612,756
Accumulated depreciation	(3,147,913)
	$ 13,464,843

Depreciation expense charged to operations was $521,117 for the year ended June 30, 2019.

During the year ended June 30, 2019, the Organization acquired the building located at 10251 North 35th Avenue in Phoenix, Arizona 85051 for approximately $9.4 million, which was funded through the issuance of the Series 2018 Bonds described in Note 5.

(4) Line of credit

The Organization had a line of credit with a bank with a maximum borrowing limit of $1,000,000 which allowed for revolving draws and payments. The borrowings bore interest at a variable rate equal to one month LIBOR plus three percentage points. The effective rate as of June 30, 2019 was 4.09%. The line of credit was collateralized by the Organization's equipment, investments, and receivables. The line expired in September 2019. In October 2019, the Organization refinanced the line of credit with another bank whereby the outstanding balance of $863,766 on the line of credit was repaid with proceeds from the new line of credit. The new line of credit has a borrowing capacity of $1,000,000 and is collateralized by substantially all assets of the Organization. The new line of credit bears interest at LIBOR plus 3.25% and matures in October 2020.

(5) Bonds payable

In August 2018, the Organization entered into an agreement with the Arizona Industrial Development Authority (the "Issuer") to issue Education Facility Revenue Bonds (ACCEL Schools Project), Series 2018A (the "Series 2018A Bonds") and Education Facility Revenue Bonds (ACCEL Schools Project), Taxable Series 2018B (the Series 2018B Bonds"), in the aggregate principal amount of $14,730,000 (together, the "Series 2018 Bonds"), pursuant to an Indenture of Trust, dated as of August 1, 2018 (the "Indenture"), between the Issuer and UMB Bank, National Association, as trustee (the "Trustee"). The bonds were approved in two separate series: Series 2018A for $14,205,000 and Series 2018B for $525,000. The proceeds of the Series 2018 Bonds were loaned to the Organization pursuant to a Loan Agreement dated August 1, 2018. The proceeds of the Series 2018 Bonds were used to make a loan to the Organization, pursuant to a Loan Agreement, dated as of August 1, 2018 (the "Loan Agreement"), between the Organization and the Issuer, and used for purposes of: (i) refunding the outstanding 2014 bonds of The Industrial Development Authority of the Town of Florence, Inc., (ii) financing the $9.4 million acquisition of the 10251 North 35th Avenue in Phoenix, Arizona 85051 building, including the repayment of debt outstanding on the facility (See Note 6), (iii) funding the required reserve funds, and (iv) paying the costs incurred in connection with the authorization, issuance and sale of the Series 2018 Bonds.

The Series 2018 Bonds will be payable from the monies held for the payment thereof by the Trustee under the Indenture, including amounts held in a subaccount of the debt service reserve fund and other funds held by the Trustee and Loan Payments to be made by the Organization under the Loan Agreement. The Series 2018 Bonds are secured by an assignment and pledge of (i) amounts payable pursuant to the Loan Agreement (other than the Issuer's Unassigned Rights), (ii) the Deed of Trust, including an assignment of all rents, revenues and profits of the facilities in favor of the Trustee, as beneficiary, and the title company, as trustee thereunder, subject to certain Permitted Encumbrances, and (iii) certain funds created in the Indenture.

Principal of the Series 2018 Bonds will be paid on August 1 of each year, commencing August 1, 2019, and interest will be paid on February 1 and August 1, commencing February 1, 2019. The Series 2018 Bonds bear interest at fixed rates ranging from 4% to 5.25%, depending on the tranche, and mature through August 1, 2048. The Organization is required to fund the bond sinking funds with monthly debt service payments approximating $91,000 as of June 30, 2019. At June 30, 2019 these sinking funds consists entirely of cash deposits and are classified as assets whose use is limited in the accompanying consolidated statement of financial position.

The Organization incurred $819,355 in bond issuance costs as part of the issuance of the Series 2018A and 2018B bonds, which have been capitalized and recorded as a reduction in the outstanding balance of the bonds in the accompanying consolidated statement of financial position. The capitalized bond issuance costs related to the issuance of the Series 2018A bonds are $790,152 and are amortized over twenty-nine years which represents the term of the Series 2018A bonds. The capitalized bond issuance costs related to the issuance of the Series 2018B bonds are $29,203 and are amortized over three years which represents the term of the Series 2018B bonds. As of June 30, 2019, the Organization has recorded $31,613 of accumulated amortization of the bond issuance costs. The unamortized bond issuance costs total $787,742 at June 30, 2019, with $37,222 of the costs to be amortized in fiscal 2020 which are recorded net against the current portion of bonds payable in the accompanying consolidated statement of financial position.

(5) Bonds payable (continued)

Annual principal payments on the Series 2018 Bonds are as follows:

Years Ending June 30,	
2020	$ 230,000
2021	235,000
2022	245,000
2023	255,000
2024	265,000
Thereafter	13,500,000
Total	$ 14,730,000

The Series 2018 Bonds contain certain annual financial and non-financial covenants.

(6) Long-term debt

In March 2009, the Organization entered into a note payable agreement with a bank in the amount of $3,200,000. The proceeds were issued by the Industrial Development Authority of Phoenix in two bond issues. The proceeds from the bonds were used to refinance certain long-term debt and to finance the construction and renovation of the Tempe facility. In December 2014, the Organization entered into a note payable agreement with a bank in the amount of $2,700,000. The proceeds were the result of a bond issuance by the Industrial Development Authority of the Town of Florence. These proceeds were used to refinance the Series 2009 bonds. In August 2018, in conjunction with the issuance of the Series 2018 Bonds described in Note 5, the outstanding balance of the note payable was repaid by the Organization with the proceeds of the Series 2018 Bonds. The unamortized deferred financing costs related to the note payable of $60,538 were written off and recorded as a loss on defeasance for the year ended June 30, 2019 in the accompanying consolidated statement of activities and changes in net assets.

In December 2002, the Organization entered into a financing arrangement with a third party to finance the acquisition of property in the amount of $1,080,000. The note payable was collateralized by a Deed of Trust on the Metro campus land located in Maricopa County, Arizona. The note required interest only payments through the maturity date of December 16, 2019. In August 2018, in conjunction with the issuance of the Series 2018 Bonds described in Note 5, the outstanding balance of the note payable was repaid by the Organization with the proceeds of the Series 2018 Bonds.

At June 30, 2019, long-term debt consisted of:

Note payable to a bank, collateralized by a vehicle, payable in monthly installments of $654, including interest at 3.99%, maturing on September 9, 2020	$ 3,579
Note payable to a third party, collateralized by a vehicle, payable in monthly installments of $822, including interest at 5.68%, maturing on October 17, 2021	23,650
Note payable to a third party, collateralized by a vehicle, payable in monthly installments of $1,145, including interest at 7.14%, maturing on July 15, 2022	37,009

(6) Long-term debt (continued)

Note payable to a third party, collateralized by a vehicle, payable in monthly installments of $597, including interest at 8.02%, maturing on August 5, 2022	19,979
Note payable to a third party, collateralized by a vehicle, payable in monthly installments of $415, including interest at 5.49%, maturing on October 6, 2023	19,166
Note payable to a third party, collateralized by a vehicle, payable in monthly installments of $776, including interest at 0.90%, maturing on February 28, 2023	33,578
Total long-term debt	136,961
Less: current maturities	(42,173)
Total long-term debt, net of current maturities	$ 94,788

Annual maturities of long-term debt outstanding at June 30, 2019 are as follows:

Years Ending June 30,	
2020	$ 42,173
2021	41,686
2022	39,353
2023	12,109
2024	1,640
	$ 136,961

(7) Net assets with donor restriction

As of June 30, 2019, net assets with donor restriction consisted of the following:

Classroom technology	$ 3,110
Vocational program	74,882
Vehicles	115,600
Fitness equipment	25,000
Kitchen equipment	2,072
Adaptation	9,038
	$ 229,702

At June 30, 2019, net assets with donor restriction are included within cash and cash equivalents and promises to give on the accompanying consolidated statement of financial position.

For the year ended June 30, 2019, net assets released from donor restrictions consisted of the following:

Literacy program	$ 10,000
East campus facility upgrades	69,332
Classroom technology	6,768
Fitness equipment	5,000
Adaptation	33,820
	$ 124,920

(8) Income taxes

ACCEL previously operated a retail store as an enterprise-based program. The store was closed in fiscal year 2017 and the remaining inventory was written off. The revenues and related expenses generated before the store's closure were not exempt from federal taxes under Section 511 of the Internal Revenue Code and applicable state taxes. At June 30, 2018, ACCEL had accumulated approximately $650,000 of net operating loss carryforwards for tax purposes, which represented a deferred tax asset of approximately $215,000 available to offset future unrelated business income tax. As of June 30, 2018, the deferred income tax benefit from this carryforward which was fully allowed for as ACCEL did not expect to recognize the tax benefit in the future, especially since the store had been closed and there were no other sources of unrelated business income. In fiscal 2019, ACCEL incurred $54,807 of unrelated taxable income related to employee parking as a result of changes to the Code brought about by the Tax Cuts and Jobs Act of 2017. This unrelated taxable income from parking can now be offset through the use of the prior net operating loss carryforwards. As a result, during the year ended June 30, 2019, ACCEL reversed the previously recorded valuation allowance based on the expectation that the net operating loss carryforwards will be able to offset future unrelated business income in future years. During the year ended June 30, 2019, net operating loss carryforwards totaling approximately $54,807 were used to offset taxable income. The reversal of the valuation allowance, net of the net operating loss carryforwards used in the current year, has been recorded as income tax benefit in the accompanying consolidated statement of activities and changes in net assets. The remaining net operating loss carryforwards at June 30, 2019 totaled approximately $594,912 and resulted in a deferred tax asset of $154,082. The net operating loss carryforwards will begin to expire in the year 2034.

ACCEL International, Inc. incurred a taxable net operating loss of approximately $111,000 for the year ended June 30, 2019 which can be used to offset future taxable income in U.S. tax returns through 2038 and in tax filings for Saudi Arabia without limitation. ACCEL International, Inc. has recorded a deferred tax asset for this net operating loss of $28,835 at June 30, 2019, which is partially offset by a deferred tax liability of $1,451 related to accelerated depreciation.

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. The valuation allowance adjustment to gross deferred tax assets as of June 30, 2019 was $0. The realization of the deferred tax asset is dependent upon the Organization's ability to generate sufficient taxable income, including unrelated business taxable income in future periods. Based on historical results and the prospects for current operations, management anticipates that it is more likely than not that future taxable income will be sufficient for the realization of the remaining deferred tax assets.

(9) Operating leases

On December 18, 2002, the Organization acquired, in a bargain purchase, approximately 4.57 acres of land and certain improvements located thereon located at 10251 North 35th Avenue, in Phoenix, Arizona, from A&C Tank Sales Company, Inc., an Arizona corporation ("*A&C*"). A&C is now and was then owned in whole or in part by a member of the Organization's Board of Directors. The bargain purchase price for the land and the original improvements was $940,000, which purchase price plus certain transaction and other costs were financed by 10251 North 35th Avenue, L.L.C., an Arizona limited liability company ("Seller") pursuant to a promissory note in the amount of $1,080,000 (see Note 6). The promissory note was repaid by the Organization in conjunction with the issuance of Series 2018 Bonds (see Note 5).

(9) Operating leases (continued)

The Organization, in turn, leased the land and the original Improvements to Seller pursuant to a Ground Lease dated as of December 17, 2002 (the "*Ground Lease*") whereby the Seller leased the land and constructed additional school improvements thereon (the "*2002 Improvements*"). The original term of the Ground Lease was for a period of fifty years following the completion of the construction of the Series 2002 Improvements, at a fixed annual rent of $97,200 per year, payable monthly at $8,100 per month (equal to the amount due from Seller to the Borrower under the Ground Lease). The Ground Lease sets forth a provision that the Seller, in its capacity as tenant under the Ground Lease, may purchase the Facilities at a purchase price of $1,080,000 (the "*Land Option Price*") at any time following the thirty-ninth month of the Ground Lease (which lock-out period has passed). Simultaneously, the Organization, as net lease tenant, and the Seller, as net lease landlord, entered into that certain Net Lease dated as of December 17, 2002 (the "*Net Lease*"), whereby the Organization, as net lease tenant, leased back the land, the original improvements, and the 2002 Improvements from the Seller, as net lease landlord. The Organization currently occupies the facility pursuant to the Net Lease. The original term of the Net Lease will expire on December 16, 2022. The Borrower, as tenant under the Net Lease, may renew the Net Lease for up to three consecutive period of ten years each upon such conditions as are set forth in the Net Lease.

Total rent expense under the Net Lease was approximately $137,000 for 2019.

The Organization entered into a Purchase and Sale Agreement (the "*Purchase Agreement*") with the Seller for the acquisition by the Organization of the Seller's Interests as defined in the Purchase Agreement. Neither the Seller nor any member in the Seller has any interest in and to the Borrower and the Purchase Agreement is an unrelated, third-party agreement. The purchase price for Seller's Interests as set forth in the Purchase Agreement was $9,420,000. The transaction contemplated by the Purchase Agreement closed concurrently with the issuance of the Series 2018 Bonds described in Note 5. In accordance with the Purchase Agreement, the Organization (i) acquired the Seller's Interests, (ii) repaid the promissory note of $1,080,000 (See Note 6), (iii) the Seller and the Organization mutually terminated the Net Lease; and (iv) the Seller and the Organization mutually terminated the Ground Lease. The transaction was consummated in August 2018.

Additionally, the Organization leases office equipment and office space under operating lease agreements with terms expiring in various years through April 2030. Minimum future rental payments under non-cancelable operating leases with remaining terms in excess of one year are as follows:

Years Ending June 30,	
2020	$ 401,784
2021	466,264
2022	454,472
2023	478,364
2024	413,729
Thereafter	2,140,368
	$ 4,354,981

Total rental expense for these leases, including the Net Lease described above, during the year ended June 30, 2019 was approximately $523,000. In the normal course of business, operating leases are generally renewed or replaced by other leases.

(10) Retirement plan

ACCEL sponsors a defined contribution plan (the "Plan") for its employees who completed one year of service during the plan year of at least 1,000 hours. The Plan is a discretionary defined contribution plan and thus, contributions are made each year at the discretion of ACCEL. When contributions are made, they are allocated among the employees based on groups, as defined in the Plan. ACCEL did not make a discretionary contribution into the Plan for the year ended June 30, 2019.

(11) Contingencies

Periodically, the Organization is involved in litigation and claims arising in the normal course of operations. In the opinion of management and based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.

(12) Liquidity and availability of resources

The Organization monitors its cash position on a weekly basis to ensure the fulfillment of all obligations and considers the funds necessary to maintain the Organization's operation within one year of the consolidated statement of financial position date with regular reviews of the budget to actual results. Planning for the following year's budget is created with this information. As part of the Organization's liquidity plan, excess cash is invested in investments and maintained in the Organization's cash accounts. As of June 30, 2019, the Organization's financial assets available within one year of the consolidated statement of financial positon date for general expenditures are as follows:

Cash and cash equivalents	$ 612,608
Tuition receivable	848,146
Adult education receivable	135,847
Clinic fees receivable	192,025
Promises to give	215,600
Total current financial assets	2,004,226
Less net assets related to above amounts with donor restrictions	(229,702)
Financial assets available to meet cash needs for general expenditure within one year	$ 1,774,524

While the Organization's investments are classified as long-term in the accompanying consolidated statement of financial position based on management's intent, the investments could be readily liquidated without significant penalty to fund operating cash flow needs. The Organization also has a $1,000,000 line of credit, of which $785,000 was available at June 30, 2019, to meet cash flow needs. Additionally, certain financial assets serve as collateral for the line of credit (Note 4) and Bonds Payable (Note 5).

ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of

ACCEL AND SUBSIDIARIES

We have audited the consolidated financial statements of ***ACCEL and Subsidiaries*** as of and for the year ended June 30, 2019, and our report thereon dated November 22, 2019 which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1-2. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The schedule of debt service coverage ratio on page 24 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. The consolidating statement of financial position and consolidating statement of activities and changes in net assets presented on pages 25 and 26 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with Section 8.05 of the Loan Agreement between ACCEL and the Arizona Industrial Development Authority, dated August 1, 2018, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mayer Hoffman McCann P.C.

November 22, 2019

ACCEL AND SUBSIDIARIES

ADDITIONAL INFORMATION

SCHEDULE OF DEBT SERVICE COVERAGE RATIO

Year Ended June 30, 2019

CHANGE IN NET ASSETS WITHOUT RESTRICTION	51,247
DEPRECIATION AND AMORTIZATION EXPENSE	521,117
INTEREST EXPENSE	772,062
INCOME TAX BENEFIT	(181,416)
LOSS ON DEFEASANCE ON BONDS	60,538
NET PROJECT INCOME AVAILABLE FOR DEBT SERVICE	$ 1,223,548
ACTUAL ANNUAL DEBT SERVICE (PRINCIPAL AND INTEREST PAID)	$ 947,941
ACTUAL DEBT SERVICE COVERAGE RATIO	1.29
REQUIRED DEBT SERVICE COVERAGE RATIO GREATER THAN	1.10

See Independent Auditors' Report on Additional Information

ACCEL AND SUBSIDIARIES

ADDITIONAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

	ACCEL	Foundation	International	Eliminations	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 452,877	$ 137	$ 159,594	$ -	$ 612,608
Tuition receivable	848,146	-	-	-	848,146
Adult education receivable	135,847	-	-	-	135,847
Clinic fees receivable	192,025	-	-	-	192,025
Other receivable	233,861	-	-	(233,861)	-
Promises to give	215,600	-	-	-	215,600
Prepaid expenses	59,796	-	-	-	59,796
Assets whose use is limited, current portion	602,037	-	-	-	602,037
TOTAL CURRENT ASSETS	2,740,189	137	159,594	(233,861)	2,666,059
INVESTMENTS	-	133,474	-	-	133,474
CASH RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT	35,153	-	-	-	35,153
PROPERTY AND EQUIPMENT, net	13,459,240	-	5,603	-	13,464,843
ASSETS WHOSE USE IS LIMITED, net of current portion	995,776	-	-	-	995,776
DEFERRED TAX ASSET, net	154,082	-	27,384	-	181,466
DEPOSITS	27,411	-	-	-	27,411
TOTAL ASSETS	$ 17,411,851	$ 133,611	$ 192,581	$ (233,861)	$ 17,504,182

LIABILITIES AND NET ASSETS (DEFICIT)

	ACCEL	Foundation	International	Eliminations	Consolidated
CURRENT LIABILITIES					
Line of credit	$ 215,000	$ -	$ -	$ -	$ 215,000
Accounts payable	116,267	-	271,022	(233,861)	153,428
Accrued expenses	388,997	-	-	-	388,997
Accrued payroll	222,525	-	-	-	222,525
Current maturities of bonds payable	192,778	-	-	-	192,778
Current maturities of long-term debt	42,173	-	-	-	42,173
TOTAL CURRENT LIABILITIES	1,177,740	-	271,022	(233,861)	1,214,901
DEFERRED RENT	48,692	-	-	-	48,692
BONDS PAYABLE, less current maturities	13,749,480	-	-	-	13,749,480
LONG-TERM DEBT, less current maturities	94,788	-	-	-	94,788
TOTAL LIABILITIES	15,070,700	-	271,022	(233,861)	15,107,861
NET ASSETS (DEFICIT)					
Without donor restrictions	2,111,449	133,611	(78,441)	-	2,166,619
With donor restrictions	229,702	-	-	-	229,702
TOTAL NET ASSETS (DEFICIT)	2,341,151	133,611	(78,441)	-	2,396,321
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 17,411,851	$ 133,611	$ 192,581	$ (233,861)	$ 17,504,182

ACCEL AND SUBSIDIARIES

ADDITIONAL INFORAMTION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019

	ACCEL	Foundation	International	Eliminations	Consolidated
REVENUE AND SUPPORT					
Tuition revenue					
Metro campus	$ 7,732,460	$ -	$ -	$ -	$ 7,732,460
Tempe campus	3,391,319	-	-	-	3,391,319
Adult education programs	2,036,077	-	-	-	2,036,077
Classroom consulting fees	15,238	-	-	-	15,238
Clinic fees	1,064,336	-	-	-	1,064,336
Contributions	1,540,807	-	788,091	(750,000)	1,578,898
Investment income	19,907	7,905	-	-	27,812
Other revenue	26,359	-	12,450	-	38,809
TOTAL REVENUE AND SUPPORT	15,826,503	7,905	800,541	(750,000)	15,884,949
EXPENSES					
Program services:					
Metro campus	8,325,047	-	-	-	8,325,047
Tempe campus	2,420,409	-	-	-	2,420,409
Adult education programs	2,179,645	-	-	-	2,179,645
The BISTA Center	1,261,181	-	-	-	1,261,181
Ajyal Center	-	-	906,316	(750,000)	156,316
Total program services	14,186,282	-	906,316	(750,000)	14,342,598
Supporting Services:					
Administrative	1,009,822	-	(27,334)	-	982,488
Fundraising	339,848	-	-	-	339,848
Total supporting services	1,349,670	-	(27,334)	-	1,322,336
TOTAL EXPENSES	15,535,952	-	878,982	(750,000)	15,664,934
LOSS ON DEFEASANCE OF DEBT	(60,538)	-	-	-	(60,538)
CHANGE IN NET ASSETS	230,013	7,905	(78,441)	-	159,477
NET ASSETS, BEGINNING OF YEAR	2,111,138	125,706	-	-	2,236,844
NET ASSETS (DEFICIT), END OF YEAR	$ 2,341,151	$ 133,611	$ (78,441)	$ -	$ 2,396,321