

**ELM COMMUNITY
CHARTER SCHOOL**

**Audited Financial Statements In Accordance
With Government Auditing Standards**

June 30, 2022

ELM COMMUNITY CHARTER SCHOOL

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Independent Auditor's Report

To the Board of Trustees of
Elm Community Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Elm Community Charter School (the "School"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the School's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Schall & Ashenfarb". The script is cursive and fluid.

Schall & Ashenfarb
Certified Public Accountants, LLC

October 20, 2022

ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022
(With comparative totals as of June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
Assets		
Cash and cash equivalents	\$2,284,975	\$1,739,332
Government grants receivable - per pupil (Note 3)	16,646	10,828
Government grants receivable - other	95,710	119,602
Prepaid expenses and other assets	142,439	0
Security deposit	483,500	483,500
Fixed assets (Note 4)	632,191	276,197
Restricted cash (Note 5)	<u>75,018</u>	<u>50,001</u>
Total assets	<u><u>\$3,730,479</u></u>	<u><u>\$2,679,460</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$199,327	\$198,087
Government grants advances - other (Note 2c)	67,460	0
Deferred rent	<u>0</u>	<u>128,323</u>
Total liabilities	<u>266,787</u>	<u>326,410</u>
Net assets:		
Without donor restrictions	<u>3,463,692</u>	<u>2,353,050</u>
Total liabilities and net assets	<u><u>\$3,730,479</u></u>	<u><u>\$2,679,460</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
Without donor restrictions:		
Public support and revenue:		
Public school district revenue: (Note 3)		
Resident student enrollment	\$4,721,508	\$3,756,272
Students with special education services	434,316	344,491
Total public school district revenue	<u>5,155,824</u>	<u>4,100,763</u>
Government grants:		
New York City rental assistance (Note 6)	1,332,375	1,075,730
Paycheck Protection Program loan (Note 7)	0	318,625
Other government grants	158,231	148,140
Contributions	35,900	38,058
Other income	16	2,528
Total public support and revenue	<u>6,682,346</u>	<u>5,683,844</u>
Expenses:		
Program services:		
Regular education	3,695,984	3,231,158
Special education	543,128	523,089
Total program services	<u>4,239,112</u>	<u>3,754,247</u>
Supporting services - management and general	<u>1,332,592</u>	<u>746,078</u>
Total expenses	<u>5,571,704</u>	<u>4,500,325</u>
Change in net assets	1,110,642	1,183,519
Net assets - beginning of year	<u>2,353,050</u>	<u>1,169,531</u>
Net assets - end of year	<u><u>\$3,463,692</u></u>	<u><u>\$2,353,050</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	Program Services			Supporting Services		
	Regular Education	Special Education	Total Program Services	Management and General	Total Expenses 6/30/22	Total Expenses 6/30/21
Salaries	\$1,825,978	\$268,406	\$2,094,384	\$492,492	\$2,586,876	\$2,024,916
Payroll taxes and benefits	358,376	52,678	411,054	96,661	507,715	452,655
Total personnel costs	2,184,354	321,084	2,505,438	589,153	3,094,591	2,477,571
Professional fees	61,682	9,067	70,749	311,657	382,406	264,707
Curriculum and classroom expenses	187,540	27,567	215,107		215,107	30,008
Facilities expense (Notes 6 and 9)	878,510	129,012	1,007,522	196,930	1,204,452	1,215,514
Office expenses	107,191	15,742	122,933	24,028	146,961	105,144
Professional development	90,570	13,314	103,884	24,000	127,884	134,982
Insurance	57,343	8,421	65,764	12,854	78,618	52,051
Recruitment			0	153,158	153,158	51,384
Other expenses	46,148	6,784	52,932	2,286	55,218	60,082
Depreciation	82,646	12,137	94,783	18,526	113,309	108,882
Total expenses	<u>\$3,695,984</u>	<u>\$543,128</u>	<u>\$4,239,112</u>	<u>\$1,332,592</u>	<u>\$5,571,704</u>	<u>\$4,500,325</u>

The attached notes and auditors' report are an integral part of these financial statements.

ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
Cash flows from operating activities:		
Change in net assets	\$1,110,642	\$1,183,519
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	113,309	108,882
Paycheck Protection Program loan forgiveness	0	(318,625)
Changes in assets and liabilities:		
Government grants receivable - per pupil	(5,818)	(10,828)
Government grants receivable - other	23,892	(29,514)
Prepaid expenses and other assets	(142,439)	8,854
Security deposit	0	116,666
Accounts payable and accrued expenses	1,240	(6,040)
Government grants advances - other	67,460	0
Government grants advances - per pupil	0	(664)
Deferred rent	(128,323)	128,323
Total adjustments	<u>(70,679)</u>	<u>(2,946)</u>
Net cash flows provided by operating activities	<u>1,039,963</u>	<u>1,180,573</u>
Cash flows from investing activities:		
Purchases of furniture, equipment, and leasehold improvements	<u>(469,303)</u>	<u>(162,149)</u>
Net cash flows used for investing activities	<u>(469,303)</u>	<u>(162,149)</u>
Cash flows from financing activities:		
Loan repayment	<u>0</u>	<u>(70,000)</u>
Net cash flows used for financing activities	<u>0</u>	<u>(70,000)</u>
Net increase in cash, cash equivalents and restricted cash	570,660	948,424
Cash, cash equivalents and restricted cash - beginning of year	<u>1,789,333</u>	<u>840,909</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$2,359,993</u></u>	<u><u>\$1,789,333</u></u>
Cash, cash equivalents and restricted cash consists of:		
Cash and cash equivalents	\$2,284,975	\$1,739,332
Restricted cash	<u>75,018</u>	<u>50,001</u>
Total cash, cash equivalents and restricted cash	<u><u>\$2,359,993</u></u>	<u><u>\$1,789,333</u></u>
Supplemental disclosures:		
Interest paid	<u>\$0</u>	<u>\$428</u>
Taxes paid	<u>\$0</u>	<u>\$0</u>

The attached notes and auditors' report are an integral part of these financial statements.

ELM COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization

Elm Community Charter School (the "School"), located in Flushing, New York, is a not-for-profit education corporation chartered by the Board of Regents of the University of the State of New York. The charter was authorized by the SUNY Charter Schools Institute. The School provides a full range of educational services appropriate for elementary school. The School aims to foster an interdisciplinary and collaborative learning environment focused on cultivating civically engaged student leaders.

The School has the following programs:

Regular Education – Instruction provided to all students.

Special Education – Instruction that is specially designed to meet the unique needs of students with disabilities.

The School completed the 2021-2022 fiscal year with an average enrollment of approximately 280 students. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education ("NYCDOE"). On July 14, 2017, the School was granted a charter for a term up to and including through July 31, 2023.

The School is affiliated with the Friends of Elm Community Charter School, Inc. ("Friends of Elm") through the use of shared members of their respective Board of Trustees. Friends of Elm is a not-for-profit corporation established to support the creation of the School and function as the fundraising arm of the School. As the School does not have control over Friends of Elm, the financial statements are not permitted to be consolidated. See Notes 6 and 9 for a description of related party transactions.

The School has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. They have not been designated as a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

Net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use.

- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. The School did not have any net assets with donor restrictions at June 30, 2022 or June 30, 2021.

c. Revenue Recognition

The School follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. 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. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions, and fall under FASB ASC 958-605. Revenue from these transactions is recognized based on rates established by the School's funding sources and when performance related outcomes are achieved as well as other conditions under the agreements are met.

Government grants that have been awarded to the School but have not been recognized as revenue amounted to \$515,781 at June 30, 2022. Of that amount \$67,460 has been received in cash, which was recognized as government grant advances on the statement of financial position.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. At June 30, 2022, all contributions and grants are expected to be collected within one year.

All receivables are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2022 or June 30, 2021. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollectable.

d. Cash and Cash Equivalents

The School considers all liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents. Cash maintained in escrow per requirements of the NYCDOE are treated as restricted cash.

e. Concentration of Credit Risk

Financial instruments, which potentially subject the School to a concentration of credit risk, consist of cash accounts, which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year end the School had uninsured balances, management feels they have little risk, and has not experienced any losses due to bank failure.

f. Fixed Assets

Computer hardware, furniture, equipment, and leasehold improvements are capitalized at cost or at the fair value at the date of gift, if donated. The School capitalizes fixed assets in excess of \$5,000 that have a useful life of more than one year. Depreciation was computed using the straight-line method over the estimated useful life of the respective assets.

g. Deferred Rent Obligations

Rent expense is recorded on the straight-line basis and recognized evenly over the life of the lease. Rent expense recognized in excess of cash payments is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

h. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased, if not provided in-kind. Board members and other individuals volunteer their time and perform a variety of services that assist the School. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Expense	Method of Allocation
Salaries	Time and effort
Payroll taxes and benefits	Salary allocation
Curriculum and classroom expenses	Student FTE's
Facilities expense	Staff FTE's
Office expenses	Staff FTE's
Professional development	Student FTE's
Insurance	Staff FTE's
Other expenses	Student FTE's
Depreciation	Staff FTE's

Certain program expenses have been allocated between Regular Education and Special Education based on student full-time equivalent ("FTE") rates. All other expenses have been charged directly to the applicable program or supporting services.

- j. Advertising
The cost of advertising is expensed as incurred.
- k. Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- l. Contingencies
Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.
- m. Accounting for Uncertainty of Income Taxes
The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2019, and later are subject to examination by applicable taxing authorities.
- n. Comparative Financial Information
The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. According, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2021, from which the summarized information was derived.
- o. New Accounting Pronouncement
FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The School is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - Government Grants Receivable/(Advances) – Per Pupil

Activity related to the contract with the NYCDOE can be summarized as follows:

	<u>6/30/22</u>	<u>6/30/21</u>
Beginning grant receivable/(advance)	\$10,828	(\$664)
Per pupil funding:		
Funding based on allowable FTEs	5,155,824	4,100,763
Advances received	(5,150,006)	(4,089,271)
Ending grant receivable	<u>\$16,646</u>	<u>\$10,828</u>

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Furniture and fixtures <i>(3 – 5 years)</i>	\$478,498	\$233,276
Computer equipment <i>(3 years)</i>	325,777	198,857
Leasehold improvements <i>(Life of lease)</i>	<u>167,000</u>	<u>69,839</u>
	971,275	501,972
Less: accumulated depreciation	<u>(339,084)</u>	<u>(225,775)</u>
Total fixed assets, net	<u>\$632,191</u>	<u>\$276,197</u>

Note 5 - Restricted Cash

An escrow account has been established to meet the requirement of the Board of Regents of the State of New York. The purpose of this account is to ensure sufficient funds are available for an orderly dissolution or transition process in the event of termination of the charter or school closure.

Note 6 - New York City Rental Assistance

The School was entitled to receive a rent subsidy, that is calculated at the lower of 30 percent of the per pupil amount or actual lease costs. During the years ended June 30, 2022 and 2021, the amount of rent subsidy recognized was \$1,332,375 and \$1,075,730, respectively, based on the lease costs. These amounts included base rents of \$1,100,000 and \$900,000 and facility costs of \$232,375 and \$175,730, for the years ended June 30, 2022 and 2021 under the sublease with the related party discussed in Note 9.

Note 7 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the School obtained a loan from the Small Business Administration (“SBA”) through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were not less than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. The School accounted for the PPP loan as a conditional contribution in accordance with FASB ASC 958-605. During the year ended June 30, 2021, the School met all of the conditions and recognized the full amount as revenue. The School was notified that the loan was forgiven by the SBA.

Note 8 - Significant Concentrations

The School is dependent upon grants from the NYCDOE to carry out its operations. Approximately 97% and 91% of the School’s total public support and revenue was from the NYCDOE for the year ended June 30, 2022 and June 30, 2021, respectively. If the NYCDOE were to discontinue funding, it would have a severe economic impact on the School’s ability to operate.

Note 9 - Commitments and Contingencies/ Related Party Transactions

During the year ended June 30, 2020, the School entered into a sublease agreement with Friends of Elm, a related party, for an educational and administrative space at 69-26 Cooper Avenue, Queens, NY, that became effective July 1, 2020. The lease expired on June 30, 2022. Under the lease agreement with the landlord, Friends of Elm is responsible to pay rent, various utilities, and provide other facility services. The School then made monthly payments to Friends of Elm to cover these expenses. Total rent costs of \$1,332,375 consists of base rent of \$1,100,000 plus additional facility costs of \$232,375.

The School entered into another sublease agreement with Friends of Elm for a new educational and administrative space at 79-20 Queens Blvd., Queens, NY, that is effective July 1, 2022 as the lease discussed in the preceding paragraph expired. This new sublease expires June 30, 2053. Similar to the prior sublease, Friends of Elm is responsible to pay rent, various utilities, and provide other facility services. The School will then make monthly payments to Friends of Elm to cover these expenses. Under the terms of the lease held by Friend of Elm with the landlord, the School acts as guarantor. The maximum potential amount that the school can be required to pay in connection with this guarantee is \$93,437,108.

Future minimum payments under the sublease with Friends of Elm are as follows:

Year ending:	June 30, 2023	\$2,010,480
	June 30, 2024	2,308,281
	June 30, 2025	2,371,513
	June 30, 2026	2,436,602
	June 30, 2027	2,633,511
	Thereafter	<u>91,979,140</u>
Total		<u>\$103,739,527</u>

Note 10 - Retirement Plan

The School has a retirement plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate and may elect to defer a portion of their salary and contribute to this plan up to statutory amounts. The School provides matching contributions on a discretionary basis and contributed \$34,498 and \$37,085 for the years ended June 30, 2022 and June 30, 2021, respectively. Salary deferrals and matching contributions are immediately 100% vested.

Note 11 - Availability and Liquidity

At June 30, 2022, the School's financial assets available to meet cash needs for general expenditures within one year are \$2,397,331, which consist of cash and cash equivalents of \$2,284,975 and government grants receivable of \$112,356. There are no external or internal limits imposed on these balances. As part of its liquidity management, the School operates its programs within a board approved budget and relies on grants and contributions to fund its operations and program activities.

Note 12 - Subsequent Events

Subsequent events have been evaluated through October 20, 2022, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.

Note 13 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the School operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted; however, supply chains remain impacted. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Elm Community Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Elm Community Charter School (the "School"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 20, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

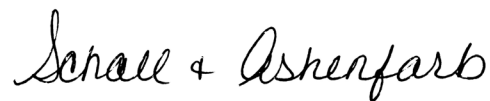
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 20, 2022

**ELM COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

Current Year:

One matter to discuss – see management letter.

Prior Year:

2021-001 – Minimum Escrow Account Balances – The matter has been corrected.