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**LAMAD ACADEMY CHARTER SCHOOL**

**Financial Statements**

For the years ended June 30, 2023 and 2022

# **LAMAD ACADEMY CHARTER SCHOOL**

## **Financial Statements**

June 30, 2023 and 2022

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## **Independent Auditor's Report**

To the Board of Trustees of  
Lamad Academy Charter School

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Lamad Academy Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lamad Academy Charter School as of June 30, 2023 and 2022, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lamad Academy Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, in 2023, Lamad Academy Charter School adopted new accounting guidance, Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

### ***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 Lamad Academy Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Lamad Academy Charter 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 Lamad Academy Charter 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of Lamad Academy Charter 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 Lamad Academy Charter 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 Lamad Academy Charter School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "NChing LLP".

New York, New York  
October 30, 2023

**Lamad Academy Charter School**  
**Statements of Financial Position**  
As of June 30,

	2023	2022
<b><u>Assets</u></b>		
Cash	\$ 366,883	\$ 145,832
Grants receivable	309,610	104,471
Prepaid expenses and other assets	131,372	16,793
Reserve - contingency	75,016	50,006
Property and equipment, net	557,510	683,526
Operating lease right-of-use assets	9,305	-
Total assets	<u>\$ 1,449,696</u>	<u>\$ 1,000,628</u>
<b><u>Liabilities and Net Assets</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and accrued expenses	\$ 178,348	155,658
Accrued salaries and other payroll-related expenses	94,146	25,215
Interest payable	26,539	14,521
Deferred revenue	49,156	223,590
Operating lease liabilities	9,305	-
Loan payable	437,000	437,000
Total liabilities	<u>794,494</u>	<u>855,984</u>
<b><u>Net Assets</u></b>		
Net assets without donor restrictions		
Undesignated	480,186	94,638
Reserve - contingency	75,016	50,006
Net assets with donor restrictions	100,000	-
Total net assets	<u>655,202</u>	<u>144,644</u>
Total liabilities and net assets	<u>\$ 1,449,696</u>	<u>\$ 1,000,628</u>

The accompanying notes are an integral part of these financial statements.

**Lamad Academy Charter School**  
**Statement of Activities**  
For the year ended of June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Revenue, Gains and Other Support</u></b>			
General education	\$ 3,365,597	\$ -	\$ 3,365,597
Special education	507,259	-	507,259
Federal title and stimulus income	428,664	-	428,664
State income	42,296	-	42,296
Contributions	307,000	100,000	407,000
Other income	691	-	691
Total revenue, gains and other support	<u>4,651,507</u>	<u>100,000</u>	<u>4,751,507</u>
<b><u>Expenses</u></b>			
<b><u>Program expenses</u></b>			
Regular education	2,672,088	-	2,672,088
Special education	991,328	-	991,328
Total program expenses	<u>3,663,416</u>	<u>-</u>	<u>3,663,416</u>
<b><u>Supporting services</u></b>			
Management and general	573,388	-	573,388
Fund-raising	4,145	-	4,145
Total supporting services expenses	<u>577,533</u>	<u>-</u>	<u>577,533</u>
Total program and supporting services expenses	<u>4,240,949</u>	<u>-</u>	<u>4,240,949</u>
Change in net assets	410,558	100,000	510,558
Net assets - beginning of year	144,644	-	144,644
Net assets - end of year	<u>\$ 555,202</u>	<u>\$ 100,000</u>	<u>\$ 655,202</u>

The accompanying notes are an integral part of these financial statements.

**Lamad Academy Charter School**  
**Statement of Activities**  
For the year ended of June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Revenue, Gains and Other Support</u></b>			
General education	\$ 1,625,446	\$ -	\$ 1,625,446
Special education	302,789	-	302,789
Federal title and stimulus income	238,029	-	238,029
State income	4,888	-	4,888
Contributions	86,000	-	86,000
Other income	11	-	11
Cancellation of debt	133,422	-	133,422
Net assets released from restrictions	62,903	(62,903)	-
Total revenue, gains and other support	<u>2,453,488</u>	<u>(62,903)</u>	<u>2,390,585</u>
<b><u>Expenses</u></b>			
<b><u>Program expenses</u></b>			
Regular education	1,606,229	-	1,606,229
Special education	682,452	-	682,452
Total program expenses	<u>2,288,681</u>	<u>-</u>	<u>2,288,681</u>
<b><u>Supporting services</u></b>			
Management and general	383,042	-	383,042
Fund-raising	2,714	-	2,714
Total supporting services expenses	<u>385,756</u>	<u>-</u>	<u>385,756</u>
Total program and supporting services expenses	<u>2,674,437</u>	<u>-</u>	<u>2,674,437</u>
Change in net assets	(220,949)	(62,903)	(283,852)
Net assets - beginning of year	365,593	62,903	428,496
Net assets - end of year	<u>\$ 144,644</u>	<u>\$ -</u>	<u>\$ 144,644</u>

The accompanying notes are an integral part of these financial statements.

**Lamad Academy Charter School**  
**Statement of Functional Expenses**  
For the year ended of June 30, 2023

		<b>Program Services</b>			<b>Supporting Services</b>		<b>Total</b>
	<b>No. of</b>	<b>Regular</b>	<b>Special</b>	<b>Total</b>	<b>Management</b>	<b>Fund-</b>	<b>Program</b>
	<b>Positions</b>	<b>Education</b>	<b>Education</b>	<b>Programs</b>	<b>and General</b>	<b>raising</b>	<b>and</b>
							<b>Supporting</b>
<b>Personnel services costs</b>							
Administrative staff personnel	5.5	\$ 432,134	\$ 192,263	\$ 624,397	\$ 187,666	\$ 2,707	\$ 814,770
Instructional personnel	19.0	985,820	355,469	1,341,289	-	-	1,341,289
Non - instructional personnel	-	3,621	1,104	4,725	-	-	4,725
Total personnel services costs	24.5	1,421,575	548,836	1,970,411	187,666	2,707	2,160,784
<b>Operating expenses</b>							
Fringe benefits and payroll taxes		195,203	75,404	270,607	25,835	373	296,815
Professional fees		77,921	30,099	108,020	222,687	149	330,856
Insurance		34,970	13,508	48,478	4,628	67	53,173
Supplies and materials		202,585	61,752	264,337	-	-	264,337
Equipment and furnishings		2,793	1,079	3,872	370	5	4,247
Staff development		55,964	21,618	77,582	7,407	107	85,096
Marketing and recruiting		121,672	43,926	165,598	11,110	160	176,868
Technology		62,331	24,078	86,409	8,250	119	94,778
Student services		257,588	78,518	336,106	-	-	336,106
Office expense		83,058	32,084	115,142	10,994	159	126,295
Depreciation		156,428	60,426	216,854	20,703	299	237,856
Other		-	-	-	73,738	-	73,738
Total operating expenses		1,250,513	442,492	1,693,005	385,722	1,438	2,080,165
Total expenses		<u>\$ 2,672,088</u>	<u>\$ 991,328</u>	<u>\$ 3,663,416</u>	<u>\$ 573,388</u>	<u>\$ 4,145</u>	<u>\$ 4,240,949</u>

The accompanying notes are an integral part of these financial statements.

**Lamad Academy Charter School**  
**Statement of Functional Expenses**  
For the year ended of June 30, 2022

		<b>Program Services</b>			<b>Supporting Services</b>		<b>Total</b>
	<b>No. of</b>	<b>Regular</b>	<b>Special</b>	<b>Total</b>		<b>Fund-</b>	<b>Program and</b>
	<b>Positions</b>	<b>Education</b>	<b>Education</b>	<b>Programs</b>	<b>Management</b>	<b>raising</b>	<b>Supporting</b>
							<b>Services</b>
<b>Personnel services costs</b>							
Administrative staff personnel	6	\$ 354,896	\$ 179,497	\$ 534,393	\$ 162,053	\$ 1,864	\$ 698,310
Instructional personnel	8.5	582,323	226,338	808,661	-	-	808,661
Non - instructional personnel	0.5	4,003	1,517	5,520	-	-	5,520
Total personnel services costs	15	941,222	407,352	1,348,574	162,053	1,864	1,512,491
<b>Operating expenses</b>							
Fringe benefits and payroll taxes		143,982	62,347	206,329	24,896	286	231,511
Professional fees		9,933	4,301	14,234	133,725	20	147,979
Repairs and maintenance		99	38	137	-	-	137
Insurance		25,552	11,065	36,617	4,418	51	41,086
Supplies and materials		26,369	9,996	36,365	-	-	36,365
Equipment and furnishings		5,286	2,289	7,575	914	11	8,500
Staff development		31,552	13,663	45,215	5,456	63	50,734
Marketing and recruiting		87,987	34,890	122,877	4,926	57	127,860
Technology		31,649	13,705	45,354	5,472	63	50,889
Student services		152,426	57,779	210,205	-	-	210,205
Office expense		25,503	11,043	36,546	4,410	51	41,007
Depreciation		124,669	53,984	178,653	21,556	248	200,457
Other		-	-	-	15,216	-	15,216
Total operating expenses		665,007	275,100	940,107	220,989	850	1,161,946
Total expenses		<u>\$ 1,606,229</u>	<u>\$ 682,452</u>	<u>\$ 2,288,681</u>	<u>\$ 383,042</u>	<u>\$ 2,714</u>	<u>\$ 2,674,437</u>

The accompanying notes are an integral part of these financial statements.

**Lamad Academy Charter School****Statements of Cash Flows**

For the years ended of June 30,

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 510,558	\$ (283,852)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	237,856	200,457
Cancellation of debt	-	(132,617)
Amortization of operating lease right-of-use assets	2,555	-
Changes in operating assets and liabilities		
Grants receivable	(205,139)	(24,620)
Prepaid expenses and other assets	(114,579)	15,551
Accounts payable and accrued expenses	22,690	4,475
Accrued salaries and other payroll-related expenses	68,931	(31,220)
Interest payable	12,018	14,521
Deferred revenue	(174,434)	223,590
Operating lease liabilities	(2,555)	-
Net cash provided by (used in) operating activities	<u>357,901</u>	<u>(13,715)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(111,840)</u>	<u>(42,122)</u>
Net cash used in investing activities	<u>(111,840)</u>	<u>(42,122)</u>
Net change in cash and restricted cash	246,061	(55,837)
Cash and restricted cash - beginning of year	<u>195,838</u>	<u>251,675</u>
Cash and restricted cash - end of year	<u><u>\$ 441,899</u></u>	<u><u>\$ 195,838</u></u>
<b>Cash and restricted cash as reported within the statement of financial position</b>		
Cash	\$ 366,883	\$ 145,832
Reserve - contingency	<u>75,016</u>	<u>50,006</u>
	<u><u>\$ 441,899</u></u>	<u><u>\$ 195,838</u></u>

The accompanying notes are an integral part of these financial statements.

**Lamad Academy Charter School**  
**Notes to the Financial Statements**  
June 30, 2023 and 2022

**Note 1      Organization**

Lamad Academy Charter School (“LACS”) is an educational not-for-profit institution formed to operate a charter school in accordance with an agreement with the Board of Regents of the University of the State of New York under a provisional charter valid until January 2, 2024.

LACS is a middle school that opened in September 2020 in Brooklyn, New York. LACS prepares and inspires students to pursue advanced mathematics and science education successfully and enthusiastically in their secondary and post-secondary careers. LACS provides students an academically rigorous standards-based curriculum with a principal emphasis on mathematics and science.

**Note 2      Summary of significant accounting policies**

**Basis of presentation and use of estimates.** The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial statements presentation.** The financial statements of LACS have been prepared in accordance with U.S. GAAP, which require LACS to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions.** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of LACS. These net assets may be used at the discretion of LACS’ management and the Board of Trustees.

**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 LACS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Cash.** LACS maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. LACS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Grants receivable.** Grants receivable is recorded at net realizable value. The allowance for doubtful accounts is LACS’ best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. There are no allowances recorded at June 30, 2023 and 2022, as management believes all amounts are collectable.

**Lamad Academy Charter School**  
**Notes to the Financial Statements**  
June 30, 2023 and 2022

**Note 2 Summary of significant accounting policies - (continued)**

**Property and equipment.** Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

**Reserve - contingency.** Under the provisions of its charter, LACS is required to establish an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should such event occur.

**Leases.** As of July 1, 2022, LACS adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which was amended in some respects by subsequent ASUs, collectively Accounting Standards Codification 842 (ASC 842), and supersedes existing lease guidance. The standard requires LACS to record operating lease right-of-use assets and corresponding lease liabilities on the statement of financial position and disclose key quantitative and qualitative information about lease contracts.

Under ASC 842, LACS determines if a contract is a leasing arrangement at inception. Operating lease right-of-use assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. LACS uses the risk-free rate of return. LACS recognized operating lease expense for operating leases on a straight-line basis over the lease term.

LACS leases a copy machine under a non-cancelable operating lease. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

**Donated goods and services.** LACS is located in a New York City Department of Education facility. LACS utilizes approximately 12,600 square feet of classrooms and approximately 11,200 square feet of common areas at no charge. In addition, LACS received donated maintenance/security, utilities, and food services from the local school district. As of June 30, 2023 and 2022, LACS was unable to determine a value for these services.

**Revenue recognition.** LACS recognizes revenue from the state and local governments based on LACS' charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Education Department mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

**Lamad Academy Charter School**  
**Notes to the Financial Statements**  
June 30, 2023 and 2022

**Note 2      Summary of significant accounting policies - (continued)**

Part of LACS' grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance, or any unspent funds for which qualifying expenditures have not been incurred, are recorded as refundable advances. Any unspent amounts usually are returned to the granting agency. However, the granting agency can approve that those amounts be applied to a future grant period.

Contributions are recognized when the donor makes a promise to give to LACS, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor- restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Income taxes.** LACS is tax-exempt under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if LACS has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

LACS is subject to income tax examination by federal, state, or local tax authorities for years after June 30, 2020.

**Functional allocation of expenses.** The financial statements report certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses, including personnel services costs, fringe benefits and payroll taxes, professional fees, marketing and recruiting and student services, are allocated on the basis of time and effort.

**Note 2      Summary of significant accounting policies - (continued)**

**Recently adopted accounting pronouncements.** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* that requires a lessee to recognize on the statement of financial position a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term, regardless of classification of a lease as an operating or finance lease. LACS adopted ASU 2016-02 on July 1, 2022, using the modified retrospective approach for operating leases, with a term greater than 12 months. LACS also elected the package of practical expedients permitted under the new standard that allowed LACS to carry forward historical lease classification for existing leases on the adoption date, and allowed LACS not to assess whether an existing contract contains a lease or initial direct costs. As permitted by the guidance, prior comparative periods will not be adjusted under this method.

The adoption of this standard resulted in recognition of operating lease right-of-use assets in the amount of \$11,860 and lease liabilities in the amount of \$11,860 for operating leases on the statement of financial position as of July 1, 2022. There was no material impact on the statements of activities, statements of functional expenses or statements of cash flows.

**Note 3      Liquidity and availability**

LACS operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. LACS considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those activities.

LACS regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in interest-bearing accounts.

**Lamad Academy Charter School**  
**Notes to the Financial Statements**  
June 30, 2023 and 2022

**Note 3     Liquidity and availability - (continued)**

LACS' financial assets available for general expenditures, that is, without donor or other restriction limiting their use, within one year of June 30, are:

	<u>2023</u>	<u>2022</u>
Cash	\$ 366,883	\$ 145,832
Grants receivable	<u>309,610</u>	<u>104,471</u>
	676,493	\$ 250,303
Less: net assets with donor restrictions	<u>(100,000)</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 576,493</u></u>	<u><u>\$ 250,303</u></u>

**Note 4     Property and equipment**

Property and equipment consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>	<u>Life</u>
Equipment	\$ 547,570	\$ 435,730	3 years
Leasehold improvements	<u>612,897</u>	<u>612,897</u>	10 years
Total property and equipment	1,160,467	1,048,627	
Less: accumulated depreciation	<u>(602,957)</u>	<u>(365,101)</u>	
Property and equipment, net	<u><u>\$ 557,510</u></u>	<u><u>\$ 683,526</u></u>	

**Note 5     Loans payable**

In April 2021, LACS received an Economic Injury Disaster Loan ("EIDL") in the amount of \$437,000 from Small Business Administration. The EIDL bears interest at 2.75% per annum and requires monthly principal and interest payment of \$1,876 starting from November 2023. The loan will mature in April 2051. The balance of EIDL as of June 30, 2023 and 2022 was \$437,000.

**Lamad Academy Charter School**  
**Notes to the Financial Statements**  
June 30, 2023 and 2022

**Note 5    Loans payable - (continued)**

In April 2021, LACS received a Paycheck Protection Program (“PPP”) loan in the amount of \$132,617 under the Coronavirus Aid, Relief, and Economic Security Act. The PPP loan bears interest at .98% per annum and will mature in April 2026. The PPP loan of \$132,617 and accrued interest of \$805 were forgiven in December 2021.

Future annual principal payments required for each of the next five years and in the aggregate thereafter are as follows:

2024	\$     6,975
2025	10,705
2026	11,003
2027	11,310
2028	11,625
Thereafter	<u>385,382</u>
	<u>\$   437,000</u>

**Note 6    Operating lease**

LACS entered into a five-year operating lease for a copy machine in October 2021.

LACS determines if an arrangement is a lease at the inception of a contract, and recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

Operating expenses for the leasing activity of LACS as lessee for the year ended June 30, 2023 are as follows:

<u>Lease type</u>	
Operating lease costs	<u>\$       2,856</u>

Total rent expense was \$2,856 and \$1,666 for the years ended June 30, 2023 and 2022, respectively, and is included in office expenses on the accompanying statements of functional expenses.

**Lamad Academy Charter School**  
**Notes to the Financial Statements**  
June 30, 2023 and 2022

**Note 6 Operating lease – (continued)**

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2023, and a reconciliation to operating lease liabilities reported on the statements of financial position:

2024	\$	2,856
2025		2,856
2026		2,856
2027		1,190
Total lease payments		<u>9,758</u>
Less interest		<u>(453)</u>
Present value of lease liabilities	\$	<u><u>9,305</u></u>

Operating lease terms and discount rate at June 30, 2023 are as follows:

Remaining lease term (years)	3.42
Discount rate	2.88%

The following summarizes cash paid for operating lease liabilities and other non-cash information as of June 30, 2023:

Cash paid for amounts included in measurement of operating lease liabilities	\$	2,856
Operating lease right-of-use assets obtained in exchange for operating lease obligations	\$	11,860

**Note 7 Net assets**

Net assets with donor restrictions are restricted to future programs. Net assets with donor restrictions as of June 30, 2023 and 2022 are \$100,000 and \$-, respectively.

**Note 8 Concentrations of risk**

LACS received approximately 82% and 81% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York State Education Department during the year ended June 30, 2023 and 2022, respectively. Additionally, LACS' grants receivable consists of approximately 95% and 83% from the New York State Education Department as of June 30, 2023 and 2022, respectively.

**Note 9      Commitments and contingencies**

LACS participates in a number of federal and state programs. These programs require that LACS comply with certain requirements of laws, regulations, contracts, and grant agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on LACS' financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

**Note 10    Potential impact of the pandemic**

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result of the pandemic, LACS began the 2021-2022 school year with a combined model that offers parents the option to choose between distance learning or onsite learning. The ultimate effect of COVID-19 on LACS and its future operations cannot presently be determined.

**Note 11    Subsequent events**

Management has evaluated subsequent events through October 30, 2023, the date that the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

**Independent Auditor's 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***

To the Board of Trustees of  
Lamad Academy 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 Lamad Academy Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 30, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lamad Academy Charter 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 Lamad Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Lamad Academy Charter 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lamad Academy Charter 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 determination of the financial statement amounts. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York  
October 30, 2023