



(Formerly Known as Hyde Leadership Charter School)

Financial Statements

**(Together with Independent Auditors' Report and
Report Required by *Government Auditing Standards*)**

Years Ended June 30, 2023 and 2022

**LION CHARTER SCHOOL
(Formerly Known as Hyde Leadership Charter School)**

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report
and
Report Required by *Government Auditing Standards*)**

YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements	8-14
Report Required by <i>Government Auditing Standards</i>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16



INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
LION Charter School (formerly known as Hyde Leadership Charter School)
Bronx, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LION Charter School (formerly known as Hyde Leadership Charter School) (the "School"), 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 accompanying financial statements present fairly, in all material respects, the financial position of the 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 audits. 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 for one year after the date 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 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.

Mayer Hoffman McCann CPAs
The New York Practice of Mayer Hoffman McCann P.C.
An Independent CPA Firm

685 Third Avenue
New York, NY 10017

Phone: 212.503.8800
mhmcpa.com





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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023, 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.

Mayer Hoffman McCann CPAs

New York, NY
October 27, 2023

**LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022**

ASSETS	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents (Notes 2C, 3 and 13B)	\$ 1,260,399	\$ 9,014,181
Restricted cash (Notes 2C and 13B)	76,288	75,018
Contributions and grants receivable (Notes 2F, 2H and 3)	2,765,656	1,134,086
Investments (Notes 2D, 2E and 4)	4,775,659	-
Prepaid expenses and other assets	<u>614,679</u>	<u>181,112</u>
Total current assets	9,492,681	10,404,397
Interest rate swap asset (Notes 2E and 4)	483,862	140,329
Property and equipment, net (Notes 2I and 5)	<u>10,298,412</u>	<u>10,614,550</u>
TOTAL ASSETS	<u>\$ 20,274,955</u>	<u>\$ 21,159,276</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,502,673	\$ 1,615,850
Refundable advances	5,096	823,822
Bonds payable, current (Notes 2J and 7)	<u>492,000</u>	<u>479,000</u>
Total current liabilities	1,999,769	2,918,672
Bonds payable, noncurrent, net of deferred financing costs (Notes 2J and 7)	<u>11,764,704</u>	<u>12,347,239</u>
TOTAL LIABILITIES	<u>13,764,473</u>	<u>15,265,911</u>
CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Without donor restrictions		
Undesignated	5,281,382	4,880,865
Board designated (Notes 2B and 3)	<u>1,012,500</u>	<u>1,012,500</u>
Total without donor restrictions	<u>6,293,882</u>	<u>5,893,365</u>
With donor restrictions (Note 12)		
Time and purpose	<u>216,600</u>	<u>-</u>
Total with donor restrictions	<u>216,600</u>	<u>-</u>
TOTAL NET ASSETS	<u>6,510,482</u>	<u>5,893,365</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,274,955</u>	<u>\$ 21,159,276</u>

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

LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total 2023	Without Donor Restrictions	With Donor Restrictions	Total 2022
OPERATING REVENUE (Note 2N):						
State and local per pupil operating revenue (Notes 2G and 13A)	\$ 19,862,420	\$ -	\$ 19,862,420	\$ 18,942,930	\$ -	\$ 18,942,930
Contributions from individuals (Note 2F)	107,093	-	107,093	125,321	-	125,321
Government grants (Note 2G)	5,473,684	-	5,473,684	1,301,663	-	1,301,663
Grants from foundations (Note 2F)	136,409	635,425	771,834	329,774	-	329,774
Net assets released from restrictions (Note 12)	418,825	(418,825)	-	-	-	-
TOTAL OPERATING REVENUE	<u>25,998,431</u>	<u>216,600</u>	<u>26,215,031</u>	<u>20,699,688</u>	<u>-</u>	<u>20,699,688</u>
OPERATING EXPENSES (Note 2K):						
Program Services						
General education	19,441,794	-	19,441,794	18,255,362	-	18,255,362
Special education	2,447,172	-	2,447,172	1,903,841	-	1,903,841
Total Program Services	<u>21,888,966</u>	<u>-</u>	<u>21,888,966</u>	<u>20,159,203</u>	<u>-</u>	<u>20,159,203</u>
Supporting Services						
Management and general	3,879,033	-	3,879,033	3,015,931	-	3,015,931
Fundraising	455,630	-	455,630	376,420	-	376,420
Total Supporting Services	<u>4,334,663</u>	<u>-</u>	<u>4,334,663</u>	<u>3,392,351</u>	<u>-</u>	<u>3,392,351</u>
TOTAL OPERATING EXPENSES	<u>26,223,629</u>	<u>-</u>	<u>26,223,629</u>	<u>23,551,554</u>	<u>-</u>	<u>23,551,554</u>
NET INCREASE (DECREASE) FROM OPERATIONS	<u>(225,198)</u>	<u>216,600</u>	<u>(8,598)</u>	<u>(2,851,866)</u>	<u>-</u>	<u>(2,851,866)</u>
NON-OPERATING ACTIVITIES:						
Paycheck Protection Program loan forgiveness (Note 6)	-	-	-	3,130,640	-	3,130,640
Investment and interest income (Notes 2D and 4)	252,054	-	252,054	9,470	-	9,470
Other income	30,128	-	30,128	35,100	-	35,100
TOTAL NON-OPERATING ACTIVITIES	<u>282,182</u>	<u>-</u>	<u>282,182</u>	<u>3,175,210</u>	<u>-</u>	<u>3,175,210</u>
CHANGE IN NET ASSETS BEFORE SWAP AGREEMENT	56,984	216,600	273,584	323,344	-	323,344
Gain on swap agreement (Note 4)	343,533	-	343,533	951,682	-	951,682
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	400,517	216,600	617,117	1,275,026	-	1,275,026
Net Assets - without donor restrictions - beginning of year	5,893,365	-	5,893,365	4,618,339	-	4,618,339
NET ASSETS - WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 6,293,882</u>	<u>\$ 216,600</u>	<u>\$ 6,510,482</u>	<u>\$ 5,893,365</u>	<u>\$ -</u>	<u>\$ 5,893,365</u>

LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	For the Year Ended June 30, 2023							Total 2022
	Program Services			Supporting Services			Total 2023	
	General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and Related Costs								
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 2,309,148	\$ 283,907	\$ 2,593,055	\$ 2,593,055	\$ 2,120,818
Instructional personnel	12,903,704	1,866,161	14,769,865	-	-	-	14,769,865	13,509,218
Fringe benefits and payroll taxes (Note 11)	2,949,712	436,619	3,386,331	636,797	89,841	726,638	4,112,969	3,568,898
Total Salaries and Related Costs	15,853,416	2,302,780	18,156,196	2,945,945	373,748	3,319,693	21,475,889	19,198,934
Instructional supplies and equipment	555,462	11,840	567,302	-	-	-	567,302	716,585
Professional fees and dues	37,786	4,319	42,105	189,941	9,057	198,998	241,103	259,573
Instructional support	221,984	-	221,984	-	-	-	221,984	114,579
Professional development	360,374	-	360,374	19,256	-	19,256	379,630	235,559
Business insurance	71,485	30,437	101,922	88,307	1,423	89,730	191,652	163,273
Telephone	22,046	4,534	26,580	4,012	23	4,035	30,615	29,103
Repairs and maintenance	152,407	-	152,407	16,659	-	16,659	169,066	230,638
Food services	35,455	-	35,455	-	-	-	35,455	39,078
Management fee (Note 9)	-	-	-	-	-	-	-	35,000
Printing and postage	38,032	12,760	50,792	6,646	1,127	7,773	58,565	54,923
Bank and payroll charges	197,877	27,756	225,633	58,725	3,827	62,552	288,185	197,920
Retreats, conferences and transportation	478,187	1,829	480,016	45,454	33,026	78,480	558,496	445,113
Marketing and recruitment	63,266	200	63,466	83,533	13,194	96,727	160,193	198,484
Technology supplies and services - non-classroom	60,110	19,736	79,846	183,201	1,560	184,761	264,607	175,460
Noncapitalized office furniture	269	-	269	558	-	558	827	3,504
Other administrative support	136,538	796	137,334	21,211	16,256	37,467	174,801	118,212
Office supplies	37,277	2,288	39,565	16,309	1,073	17,382	56,947	126,897
Rent (Note 8)	6,000	-	6,000	21,684	-	21,684	27,684	29,047
Other occupancy costs	209,085	-	209,085	-	897	897	209,982	212,532
Depreciation and amortization (Note 5)	423,006	13,037	436,043	129,198	263	129,461	565,504	580,981
Miscellaneous expenses	27,785	14,860	42,645	4,637	156	4,793	47,438	10,691
Bad debt expense	-	-	-	43,757	-	43,757	43,757	-
Interest expense (Notes 2J and 7)	453,947	-	453,947	-	-	-	453,947	375,468
TOTAL EXPENSES	\$ 19,441,794	\$ 2,447,172	\$ 21,888,966	\$ 3,879,033	\$ 455,630	\$ 4,334,663	\$ 26,223,629	\$ 23,551,554

LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

For the Year Ended June 30, 2022

	Program Services			Supporting Services			Total 2022
	General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,868,998	\$ 251,820	\$ 2,120,818	\$ 2,120,818
Instructional personnel	12,014,335	1,494,883	13,509,218	-	-	-	13,509,218
Fringe benefits and payroll taxes (Note 11)	2,729,688	335,890	3,065,578	434,419	68,901	503,320	3,568,898
Total Salaries and Related Costs	14,744,023	1,830,773	16,574,796	2,303,417	320,721	2,624,138	19,198,934
Instructional supplies and equipment	708,010	8,575	716,585	-	-	-	716,585
Professional fees and dues	21,299	4,199	25,498	233,539	536	234,075	259,573
Instructional support	109,058	5,521	114,579	-	-	-	114,579
Professional development	215,931	1,859	217,790	17,769	-	17,769	235,559
Business insurance	63,407	-	63,407	99,485	381	99,866	163,273
Telephone	19,320	471	19,791	8,800	512	9,312	29,103
Repairs and maintenance	224,172	262	224,434	6,204	-	6,204	230,638
Food services	39,078	-	39,078	-	-	-	39,078
Management fee (Note 9)	29,092	-	29,092	5,733	175	5,908	35,000
Printing and postage	42,526	1,128	43,654	10,262	1,007	11,269	54,923
Bank and payroll charges	124,157	22,935	147,092	47,075	3,753	50,828	197,920
Retreats, conferences and transportation	401,348	-	401,348	43,270	495	43,765	445,113
Marketing and recruitment	126,057	272	126,329	43,128	29,027	72,155	198,484
Technology supplies and services - non-classroom	129,382	2,115	131,497	43,294	669	43,963	175,460
Noncapitalized office furniture	421	-	421	3,083	-	3,083	3,504
Other administrative support	87,664	280	87,944	12,849	17,419	30,268	118,212
Office supplies	61,907	3,138	65,045	61,449	403	61,852	126,897
Rent (Note 8)	3,600	-	3,600	25,447	-	25,447	29,047
Other occupancy costs	208,901	-	208,901	3,631	-	3,631	212,532
Depreciation and amortization (Note 5)	510,473	22,305	532,778	47,166	1,037	48,203	580,981
Miscellaneous expenses	10,068	8	10,076	330	285	615	10,691
Interest expense (Notes 2J and 7)	375,468	-	375,468	-	-	-	375,468
TOTAL EXPENSES	\$ 18,255,362	\$ 1,903,841	\$ 20,159,203	\$ 3,015,931	\$ 376,420	\$ 3,392,351	\$ 23,551,554

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

**LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 617,117	\$ 1,275,026
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	565,504	580,981
Noncash interest expenses	24,078	22,228
Bad debt expense	43,757	-
Paycheck Protection Program loan forgiveness	-	(3,130,640)
Net unrealized/realized gain on investments	(71,779)	-
Gain on swap agreement	(343,533)	(951,682)
Subtotal	835,144	(2,204,087)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions and grants receivable	(1,675,327)	281,598
Prepaid expenses and other assets	(433,567)	(80,196)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(113,177)	(628,882)
Refundable advances	(818,726)	823,822
Net Cash Used in Operating Activities	(2,205,653)	(1,807,745)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(9,187,675)	-
Proceeds from sales of investments	4,483,795	-
Purchases of property and equipment	(249,366)	(447,786)
Payment of swap settlement	-	15,451
Net Cash Used in Investing Activities	(4,953,246)	(432,335)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of bond payable	(479,000)	(466,000)
Payments of debt issuance costs	(114,613)	-
Net Cash Used in Financing Activities	(593,613)	(466,000)
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(7,752,512)	(2,706,080)
Cash, cash equivalents and restricted cash - beginning of year	9,089,199	11,795,279
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 1,336,687	\$ 9,089,199
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 351,390	\$ 353,240
NonCash Financing Activity:		
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 3,130,640
The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position:		
Cash and cash equivalents	\$ 1,260,399	\$ 9,014,181
Restricted cash	76,288	75,018
	\$ 1,336,687	\$ 9,089,199

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

**LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Effective July 1, 2022, Hyde Leadership Charter School changed its name to LION Charter School – Leaders In Our Neighborhood (the “School”). The School is a New York State not-for-profit educational corporation that commenced operations as a charter school in the borough of the Bronx, New York City in July 2006. On January 10, 2006, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The School's latest charter was renewed on September 7, 2022 and is effective until June 30, 2028. The School operates classes for students in kindergarten through grade 12. The School is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC") and from state and local taxes under comparable laws.

The School’s mission is to develop the deeper character and unique potential of each student. The School unites parents, teachers and students in helping each student achieve their best academically as well as in sports, the arts and the community.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting*** – The School prepares its financial statements using the accrual basis of accounting. The School adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B. ***Net Assets*** – Net assets and revenues are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – represents net assets not subject to donor-imposed stipulations and are available for the general support of the School’s operations. Certain net assets without donor restrictions are designated by the Board of Trustees for future use.

Net Assets With Donor Restrictions – represents net assets subject to donor-imposed stipulations that will be met by actions of the School or by the passage of time.

The School reports amounts received with donor stipulations that limit the use of the assets for certain purposes as net asset without donor restrictions if the stipulated purpose restriction is accomplished in the same year.

C. ***Cash, Cash Equivalents and Restricted Cash*** – Cash equivalents include all highly liquid instruments purchased with maturities of 90 days or less. The School has not experienced any losses on these accounts. Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

As required by its charter, the School maintains a separate Dissolution Reserve Account, with a minimum balance requirement of \$75,000, which is included in restricted cash. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,260,399	\$ 9,014,181
Restricted cash	76,288	75,018
Total	\$ 1,336,687	\$ 9,089,199

The School is also required to maintain a minimum unrestricted liquidity of \$3,000,000 to be tested each June 30 and December 31 as part of its covenant in relation to the bonds financing (Note 7).

**LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Investments** – Investments are stated at fair value. Donated securities are recorded at their fair values on the date received using an average of the high and low price on the date received. Investment income is recorded as revenue in the period earned.
- E. **Fair Value Measurements** – Fair value measurements are the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.
- F. **Contributions and Grants** – Contributions received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Unconditional promises to give that are expected 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 recorded at the present value of their estimated future cash flows, if material. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.
- G. **Government Support** – State and local per pupil revenue resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Performance obligations are determined based on the nature of the services provided by the School in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The School measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

The School's performance obligations are primarily satisfied over time during the course of an academic year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2023 and 2022. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The School determines the transaction price based on established per pupil reimbursement rate.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which expenditures have not been incurred are reflected as refundable advances in the accompanying statements of financial position. Governmental grants are recognized as revenue when barriers within the contract are overcome and there is no longer a right of return. As of June 30, 2023 and 2022, the School was awarded conditional grants and contracts from government agencies in the aggregate amount of approximately \$1.8 million and \$824,000 respectively, that have not been recorded in the accompanying financial statements as they have not been earned. These grants and contracts require the School to provide certain services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the School may be required to return the funds already remitted.

- H. **Contributions and Grants Receivable** – Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances based upon an estimated allowance for doubtful accounts. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions and creditworthiness of its donors and grantors.

**LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. **Property and Equipment** – The School capitalizes property and equipment having a cost of \$200 or more and a useful life of two or more years. Depreciation and amortization is recognized using the straight-line method over the estimated useful lives of the respective assets. Property and equipment acquired with certain government contract funds are recorded as expenses pursuant to the terms of the contract.
- J. **Deferring Financing Fees** – Deferred financing fees represent costs incurred to obtain financing. These costs have been capitalized and are amortized as interest expense by the straight-line method, which approximate the effective interest method, over the term of the related outstanding debt. Deferred financing fees are presented as a direct reduction from the carrying amount of the related debt liability.
- K. **Functional Allocation of Expenses** – Expenses are categorized and summarized according to their functional classification as either program services or supporting services. Program services expenses are expenses directly associated with general education and special education for those students requiring additional attention and guidance. Fundraising expenses are expenses directly associated with the School's effort to raise funds to support the operations for the School. Lastly, management and general expenses are expenses related to the overall administration and operations of the school that are not directly associated with any program services or fundraising.

All of the above mentioned expense categories, when pertaining to a single and specific program, are charged against the relating functional expense classification. In the event that an expense serves multiple functional classification, for example utilities and space, the expense is allocated using reasonable, consistent and fair methodologies such as time and effort, and staff and student headcounts.

- L. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.
- M. **In Kind Revenue** – Donated services are recognized in the financial statements if the services or goods enhance or create nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills. There were no donated services for the years ended June 30, 2023 and 2022, respectively.
- N. **Measurement of Operations** – The School includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting services. Interest income, other income, and gains or losses on the swap agreement are reflected as nonoperating activities.
- O. **Recently Enacted Accounting Standards** - Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* ("Gifts-in-Kind") was adopted by the School for the year ended June 30, 2023. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit ("NFP") organizations, including transparency on how those assets are used and how they are valued. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs. The amendments did not change existing recognition and measurement requirements for those assets. The adoption of ASU 2020-07 did not result in changes in the School's financial statements since there were no donated goods or services during the years ended June 30, 2023 and 2022.

The School adopted FASB ASU 2016-02, *Leases* (Topic 842) effective July 1, 2022. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The School adopted Topic 842 for the year ended June 30, 2023, and the adoption of ASC 842 did not have an effect on the School's financial statements.

**LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3 – LIQUIDITY AND AVAILABILITY

As part of the School’s liquidity management, the School invests cash in excess of daily requirements in short-term certificates of deposits and money market funds. In addition, the School maintains \$3,000,000 of cash as minimum unrestricted liquidity as part of its covenant in relation to the bonds financing.

The School’s financial assets available within one year of the statements of financial position date for general expenditures are as follows as of June 30:

	2023	2022
Cash and cash equivalents	\$ 1,260,399	\$ 9,014,181
Contributions and grants receivable	2,765,656	1,134,086
Investments	4,775,659	-
	8,801,714	10,148,267
Less: Cash maintained as minimum unrestricted liquidity	(3,000,000)	(3,000,000)
Less: Board designated net assets	(1,012,500)	(1,012,500)
	<u>\$ 4,789,214</u>	<u>\$ 6,135,767</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining fair value, the School utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

As discussed in Note 7, in connection with the issuance of Series 2017 Bonds and in order to manage exposure to interest rate fluctuations, the School entered into an interest rate swap agreement. The fair value of the interest rate swap is estimated using Level 2 inputs, which are based on a model-derived valuation in which all significant inputs and significant value drivers are observable in active markets. The School considers the counterparty credit risk and bilateral or “own” credit risk adjustments in estimating fair value in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820.

Financial assets carried at fair value as of June 30, 2023 are classified in the table as follows:

	Level 1	Level 2	Total
ASSETS CARRIED AT FAIR VALUE			
Money market funds	\$ 612,205	\$ -	\$ 612,205
Equity	398,108	-	398,108
Mutual funds	2,980,739	-	2,980,739
Corporate bonds	784,607	-	784,607
Interest rate swap agreement	-	483,862	483,862
Total	<u>\$ 4,775,659</u>	<u>\$ 483,862</u>	<u>\$ 5,259,521</u>

**LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of June 30, 2022 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE			
Interest rate swap agreement	\$ <u>-</u>	\$ <u>140,329</u>	\$ <u>140,329</u>

Investments are subject to market volatility that could substantially change their carrying values in the near term. The components of the net return on investments as reported in the accompanying statements of activities included the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 180,275	\$ 9,470
Net unrealized/realized gains	<u>71,779</u>	<u>-</u>
Total investment activity, net	<u>\$ 252,054</u>	<u>\$ 9,470</u>

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,750,000	\$ 1,750,000	
Building	9,110,280	9,110,280	45 years
Building improvements	473,809	412,509	10 years
Furniture and equipment	546,286	485,258	5 years
Computer and software	2,415,445	2,294,552	3 years
Office equipment	416,365	410,220	5 years
Instructional assets	<u>635,194</u>	<u>635,194</u>	3 years
	15,347,379	15,098,013	
Less: accumulated depreciation and amortization	<u>(5,048,967)</u>	<u>(4,483,463)</u>	
Total	<u>\$ 10,298,412</u>	<u>\$ 10,614,550</u>	

Depreciation and amortization expense amounted to \$565,504 and \$580,981 for the years ended June 30, 2023 and 2022, respectively.

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”). If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

The School applied for and received a loan under this program from an SBA authorized lender amounting to \$3,130,640 on May 4, 2020. Management has opted to account for the proceeds as a loan under FASB Topic ASC 470 until the loan is, in part or wholly, forgiven and the School has been legally released.

**LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE (Continued)

The School received notice from the lender that the PPP loan was fully forgiven on August 18, 2021. During the year ended June 30, 2022, the School recognized \$3,130,640 of gain resulting from the forgiveness upon legal release of its obligation from the SBA.

NOTE 7 – BONDS PAYABLE

On December 15, 2017, the School entered into an agreement with Build NYC. Under the terms of the agreement, Build NYC has issued Series 2017 Bonds. The School received proceeds of \$15,250,000 net of bond issuance costs of \$555,716. The proceeds of the Bond were used to finance the acquisition by the School of its high school facility. These bonds are payable in annual installments beginning January 1, 2018 through December 1, 2042. The Series 2017 Bonds were privately placed and not part of a public offering and is subject to certain covenants. The Series 2017 Bonds bear a fixed interest rate of 1.639% plus a floating rate at USD-LIBOR-BBA*0.6501%. Full phase out of LIBOR is scheduled to be June 30, 2023 and will be replaced with The Secured Overnight Financing Rate (“SOFR”). The bonds are secured by the high school facility included in the statements of financial position under property and equipment. As of June 30, 2023 and 2022, the School was in compliance with all financial covenants.

Future minimum debt service payments are as follows:

2024	\$	492,000
2025		507,000
2026		523,000
2027		538,000
2028		553,000
Thereafter		10,189,000
Total		12,802,000
Less:		
Financing costs		(545,296)
		\$ 12,256,704

In connection with the issuance of the Series 2017 Bonds, the School entered into an interest rate swap agreement to mitigate the risk of increases in interest rates associated with the Series 2017 Bonds. Under the terms of the agreement, the School pays a synthetic fixed rate of 2.889% (1.25%+1.639%), determined at inception, and receives 65% times a one-month LIBOR plus a credit spread of 1.25%.

NOTE 8 – AGREEMENT FOR SCHOOL FACILITIES

The School operates under a Facility Shared Use Agreement (the “Agreement”) with the New York City Department of Education for dedicated and shared space at 730 Bryant Avenue, Bronx, New York. The Agreement commenced on July 1, 2006 at a cost of \$1. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services. The value of space and related utilities and services cannot be established, and therefore is not recorded in the financial statements. The School is responsible for any overtime-related costs for services provided beyond the regular operating hours. Rent expenses incurred for leased space at 1231 Lafayette Ave, Bronx NY 10474 for administrative staff for the years ended June 30, 2023 and 2022 amounted to approximately \$28,000 and \$29,000, respectively.

NOTE 9 – LICENSING AND SERVICES AGREEMENT

The Hyde Institute, a not-for-profit organization dedicated to helping start and support certain aspects of the charter school, provides management, fundraising, and other administrative support services to the School. Pursuant to the terms of a five-year licensing and services agreement with an effective date of October 17, 2016, the School pays the Hyde Institute an annual fee of \$60,000 for use of licensed educational models, program materials, training of new faculty and accreditation services. Upon expiration, there are automatic successive one-year renewal terms, unless terminated by the School and/or the Hyde Foundation by a written 90-day notice. Effective July 1, 2019, a new five-year licensing and services agreement was entered into with the annual fee of \$35,000 for use of licensed educational models, program materials, training of new faculty and accreditation services. As of June 30, 2022, services have been terminated with the Hyde Institute.

**LION CHARTER SCHOOL
(FORMERLY KNOWN AS HYDE LEADERSHIP CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 – CONTINGENCIES

- A. The School believes it had no uncertain tax positions as of June 30, 2023 and 2022, in accordance with FASB ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- B. Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowances of costs submitted for reimbursement by the School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.
- C. The School leases a space in the Bronx that is short term lease ending in 2024. Annual rentals related to these leases is approximately \$24,000 for the year ending after June 30, 2023. Rent expense for the years ended June 30, 2023 and 2021 were \$27,684 and \$29,047, respectively.

NOTE 11 – PENSION PLAN

The School maintains a defined contribution plan ("Plan") in accordance with the provisions of Section 403(b) of the IRC. The School matches employee contributions up to 5% of each employee's annual compensation not to exceed the employee's annual salary deferral amount. The School, at its own discretion, can make matching and nonelective contributions. Contributions amounted to \$552,393 and \$516,594 for the years ended June 30, 2023 and 2022, respectively, and are included in fringe benefits and payroll taxes in the accompanying statements of functional expenses.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30:

Subject to expenditures for specific purposes or the passage of time:

	2023	2022
Summer boost	\$ 201,600	\$ -
Scholarships	15,000	-
Total Net Assets with Donor Restrictions	\$ 216,600	\$ -

Net assets released from donor restrictions by either incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors are as follows for the years ended June 30:

	2023	2022
Summer boost	\$ 418,825	\$ -

NOTE 13 – CONCENTRATIONS

- A. The School receives a majority of its revenues from the New York State Education Department through the New York City Department of Education. The New York City Department of Education provides general operating support to the School based upon the location and the number of students enrolled. Operating support provided to the School by the New York City Department of Education totaled \$19,862,420 and \$18,942,930, respectively, for the years ended June 30, 2023 and 2022.
- B. Cash accounts that potentially subject the School to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor, per insured institution. As of June 30, 2023 and 2022, there was approximately \$689,000 and \$8,449,000, respectively, of cash and cash equivalents held by a bank that exceeded FDIC limits.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the statement of financial position through October 27, 2023, the date the financial statements were available to be issued.



INDEPENDENT AUDITORS' 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
LION Charter School (formerly known as Hyde Leadership Charter School)
Bronx, New York

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 LION Charter School (formerly known as Hyde Leadership Charter School) (the "School"), 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 27, 2023.

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 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*.

Mayer Hoffman McCann CPAs
The New York Practice of Mayer Hoffman McCann P.C.
An Independent CPA Firm

685 Third Avenue
New York, NY 10017

Phone: 212.503.8800
mhmcpa.com





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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann CPAs

New York, NY

October 27, 2023