
LAMAD ACADEMY CHARTER SCHOOL

Financial Statements

June 30, 2021

LAMAD ACADEMY CHARTER SCHOOL

Financial Statements

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Independent Auditors' Report

To the Board of Trustees of
Lamad Academy Charter School

Report on the financial statements

We have audited the accompanying financial statements of Lamad Academy Charter School, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the period from October 30, 2018 (date of inception) to June 30, 2021, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lamad Academy Charter School as of June 30, 2021, and the changes in its net assets and its cash flows for the period from October 30, 2018 (date of inception) to June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

Report on supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary financial information included in the schedules of activities is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other reporting required by government auditing standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2021, 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 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 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.

NCheng LLP

New York, New York
October 22, 2021

Lamad Academy Charter School
Statement of Financial Position
As of June 30, 2021

Assets

Cash	\$ 226,674
Grants receivable	79,851
Prepaid expenses	32,344
Reserve - contingency	25,001
Property and equipment, net	<u>841,861</u>
Total assets	<u><u>\$ 1,205,731</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 151,183
Accrued salaries and other payroll-related expenses	56,435
Loans payable	<u>569,617</u>
Total liabilities	<u>777,235</u>

Net Assets

Net assets without donor restrictions	
Undesignated	340,592
Reserve - contingency	25,001
Net assets with donor restriction	<u>62,903</u>
Total net assets	<u>428,496</u>
Total liabilities and net assets	<u><u>\$ 1,205,731</u></u>

The accompanying notes are an integral part of this financial statement.

Lamad Academy Charter School
Statement of Activities

Period from October 30, 2018 (Date of Inception) to June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue, Gains and Other Support</u>			
General education	\$ 1,097,170	\$ -	\$ 1,097,170
Special education	267,724	-	267,724
Federal title and stimulus income	963,919	-	963,919
State income	8,990	-	8,990
Contributions	174,704	345,000	519,704
Other income	35	-	35
Net assets released from restrictions	282,097	(282,097)	-
Total revenue, gains and other support	<u>2,794,639</u>	<u>62,903</u>	<u>2,857,542</u>
<u>Expenses</u>			
<u>Program expenses</u>			
Regular education	1,294,284	-	1,294,284
Special education	555,589	-	555,589
Total program expenses	<u>1,849,873</u>	<u>-</u>	<u>1,849,873</u>
<u>Supporting services</u>			
Management and general	573,517	-	573,517
Fund-raising	5,656	-	5,656
Total supporting services expenses	<u>579,173</u>	<u>-</u>	<u>579,173</u>
Total program and supporting services expenses	<u>2,429,046</u>	<u>-</u>	<u>2,429,046</u>
Change in net assets	365,593	62,903	428,496
Net assets - beginning of period	-	-	-
Net assets - end of period	<u>\$ 365,593</u>	<u>\$ 62,903</u>	<u>\$ 428,496</u>

The accompanying notes are an integral part of this financial statement.

Lamad Academy Charter School
Statement of Functional Expenses

Period from October 30, 2018 (Date of Inception) to June 30, 2021

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total Program and Supporting</u>
	<u>Regular Education</u>	<u>Special Education</u>	<u>Total Programs</u>	<u>Management</u>	<u>Fund- raising</u>	
Personnel services costs						
Administrative staff personnel	\$ 443,746	\$ 253,852	\$ 697,598	\$ 250,942	\$ 3,700	\$ 952,240
Instructional personnel	362,639	93,984	456,623	-	-	456,623
Total personnel services costs	<u>806,385</u>	<u>347,836</u>	<u>1,154,221</u>	<u>250,942</u>	<u>3,700</u>	<u>1,408,863</u>
Operating expenses						
Fringe benefits and payroll taxes	108,874	47,200	156,074	35,553	524	192,151
Professional fees	37,254	16,151	53,405	197,934	179	251,518
Insurance	13,240	5,740	18,980	4,324	64	23,368
Utilities	2,252	976	3,228	4,375	11	7,614
Supplies and materials	22,928	8,881	31,809	-	-	31,809
Equipment and furnishings	12,349	5,354	17,703	4,033	59	21,795
Staff development	7,196	3,120	10,316	2,350	35	12,701
Marketing and recruiting	90,847	37,540	128,387	16,620	245	145,252
Technology	54,139	23,471	77,610	17,679	261	95,550
Student services	18,714	7,249	25,963	-	-	25,963
Office expense	26,818	11,628	38,446	8,757	129	47,332
Depreciation	93,288	40,443	133,731	30,464	449	164,644
Other	-	-	-	486	-	486
Total operating expenses	<u>487,899</u>	<u>207,753</u>	<u>695,652</u>	<u>322,575</u>	<u>1,956</u>	<u>1,020,183</u>
Total expenses	<u>\$ 1,294,284</u>	<u>\$ 555,589</u>	<u>\$ 1,849,873</u>	<u>\$ 573,517</u>	<u>\$ 5,656</u>	<u>\$ 2,429,046</u>

The accompanying notes are an integral part of this financial statement.

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

Period from October 30, 2018 (Date of Inception) to June 30, 2021

Cash flows from operating activities	
Change in net assets	\$ 428,496
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation	164,644
Changes in operating assets and liabilities	
Grants receivable	(79,851)
Prepaid expenses	(32,344)
Accounts payable and accrued expenses	151,183
Accrued salaries and other payroll-related expenses	56,435
Net cash provided by operating activities	<u>688,563</u>
Cash flows from investing activities	
Reserve - contingency	(25,001)
Purchase of property and equipment	<u>(1,006,505)</u>
Net cash used in investing activities	<u>(1,031,506)</u>
Cash flows from financing activities	
Proceeds from loans payable	<u>569,617</u>
Net cash provided by financing activities	<u>569,617</u>
Net change in cash	226,674
Cash - beginning of period	<u>-</u>
Cash - end of period	<u><u>\$ 226,674</u></u>

The accompanying notes are an integral part of this financial statement.

Lamad Academy Charter School
Notes to the Financial Statements
June 30, 2021

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 in 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, 2021, as management believes all amounts are collectable.

Lamad Academy Charter School
Notes to the Financial Statements
June 30, 2021

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.

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. For the period from October 30, 2018 (date of inception) to June 30, 2021, 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.

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).

Lamad Academy Charter School
Notes to the Financial Statements
June 30, 2021

Note 2 Summary of significant accounting policies - (continued)

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, 2021, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statement.

LACS is subject to income tax examination by federal, state, or local tax authorities for years after June 30, 2018.

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 and marketing and recruiting, are allocated on the basis of time and effort.

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.

LACS' financial assets as of June 30, 2021 are available within one year to meet cash needs for general expenditures are summarized as follows:

Cash	\$ 226,674
Grants receivable	<u>79,851</u>
	306,525
Less: net assets with donor restrictions	<u>(62,903)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 243,622</u></u>

Lamad Academy Charter School
Notes to the Financial Statements
June 30, 2021

Note 4 Property and equipment

Property and equipment consist of the following at June 30, 2021:

Equipment	\$ 393,608
Leasehold improvements	<u>612,897</u>
Total property and equipment	1,006,505
Less: accumulated depreciation	<u>(164,644)</u>
Property and equipment, net	<u><u>\$ 841,861</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 2022. The loan will mature in April 2051. The balance of EIDL at June 30, 2021 was \$437,000.

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 and accrued interest allow for forgiveness based on the bank’s evaluation of LACS’ use of such proceeds. The balance of the PPP loan at June 30, 2021 was \$132,617.

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

2022	\$ -
2023	6,975
2024	10,705
2025	11,003
2026	11,310
Thereafter	<u>397,007</u>
	<u><u>\$ 437,000</u></u>

Note 6 Net assets

Net assets with donor restrictions are restricted to future programs. Net assets with donor restrictions were \$62,903 as of June 30, 2021.

Lamad Academy Charter School
Notes to the Financial Statements
June 30, 2021

Note 7 Concentrations of risk

LACS received approximately 48% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York State Education Department for the period from October 30, 2018 (date of inception) to June 30, 2021. Additionally, LACS' grants receivable consists of approximately 88% from the New York State Education Department as of June 30, 2021.

Note 8 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 9 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 10 Subsequent events

Management has evaluated subsequent events through October 22, 2021, 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.

Lamad Academy Charter School
Schedules of Activities

Year ended June 30, 2021 and period from October 30, 2018 (date of inception) to June 30, 2020

	Year ended June 30, 2021	Period from October 30, 2018 (date of inception) to June 30, 2020	Total
General education	\$ 1,097,170	\$ -	\$ 1,097,170
Special education	267,724	-	267,724
Federal title and stimulus income	165,420	798,499	963,919
State income	8,990	-	8,990
Contributions	80,355	439,349	519,704
Other income	18	17	35
	<u>1,619,677</u>	<u>1,237,865</u>	<u>2,857,542</u>
Total revenue, gains and other support			
Personnel services costs			
Administrative staff personnel	591,356	360,884	952,240
Instructional personnel	456,623	-	456,623
	<u>1,047,979</u>	<u>360,884</u>	<u>1,408,863</u>
Total personnel services costs			
Operating expenses			
Fringe benefits and payroll taxes	160,656	31,495	192,151
Professional fees	174,690	76,828	251,518
Insurance	21,063	2,305	23,368
Utilities	892	6,722	7,614
Supplies and materials	29,205	2,604	31,809
Equipment and furnishings	11,142	10,653	21,795
Staff development	8,360	4,341	12,701
Marketing and recruiting	66,361	78,891	145,252
Technology	84,939	10,611	95,550
Student services	24,319	1,644	25,963
Office expense	29,814	17,518	47,332
Depreciation	164,228	416	164,644
Other	296	190	486
	<u>775,965</u>	<u>244,218</u>	<u>1,020,183</u>
Total operating expenses			
Total expenses	<u>1,823,944</u>	<u>605,102</u>	<u>2,429,046</u>
Change in net assets	<u>\$ (204,267)</u>	<u>\$ 632,763</u>	<u>\$ 428,496</u>

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
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, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the period from October 30, 2018 (date of inception) to June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2021.

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) to determine the 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 the 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 may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether Lamad Academy Charter School's financial statements are free of 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 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 Lamad Academy Charter 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 Lamad Academy Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

New York, New York
October 22, 2021

NChing LLP