

LA SALLE CHARTER SCHOOLS, INC.

FINANCIAL STATEMENTS

June 30, 2022 and 2021

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Independent Auditors' Report

Board of Directors
La Salle Charter Schools, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of La Salle Charter Schools, Inc., which comprise the statements of assets and net assets – modified cash basis as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net assets without donor restrictions – modified cash basis and functional expenses – modified cash basis 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 assets and net assets of La Salle Charter Schools, Inc. as of June 30, 2022 and 2021, and the changes in its revenues, expenses and net assets for the years then ended in accordance with the modified cash basis of accounting described in Note B.

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. 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 La Salle Charter Schools, Inc. 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-Basis of Accounting

We draw attention to Note B of the financial statements, which described the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note B, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of La Salle Charter Schools, Inc.'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 La Salle Charter Schools, Inc.'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 Information

Management is responsible for the other information. The other information comprises the schedule of revenues, expenditures, and changes in fund balances – modified cash basis – governmental funds, schedule of revenues collected by source – modified cash basis – governmental funds, and schedule of expenditures paid by object – modified cash basis – governmental funds but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **TBD**, on our consideration of the La Salle Charter Schools, Inc.'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 effectiveness of La Salle Charter Schools, Inc.'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 La Salle Charter Schools, Inc.'s internal control over financial reporting and compliance.

St. Louis, Missouri

TBD

La Salle Charter Schools, Inc.
STATEMENTS OF ASSETS AND NET ASSETS - MODIFIED CASH BASIS
June 30,

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|----------------|----------------|
| ASSETS | | |
| Cash | \$ 685,582 | \$ 636,620 |
| | <u>685,582</u> | <u>636,620</u> |
| NET ASSETS | | |
| Net assets without donor restrictions | \$ 685,582 | \$ 636,620 |
| | <u>685,582</u> | <u>636,620</u> |

The accompanying notes are an integral part of these statements.

La Salle Charter Schools, Inc.**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS – MODIFIED CASH BASIS****Years ended June 30,**

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-------------------------|
| Revenues | | |
| Federal | \$ 835,438 | \$ 507,242 |
| State | 1,301,249 | 1,314,120 |
| Local | 209,789 | 161,047 |
| Contributions | 144,091 | 1,946 |
| | <hr/> | <hr/> |
| Total revenues | 2,490,567 | 1,984,355 |
| | <hr/> | <hr/> |
| Expenses | | |
| Program services | 2,180,885 | 1,819,480 |
| Management and general | 260,720 | 75,514 |
| | <hr/> | <hr/> |
| Total expenses | 2,441,605 | 1,894,994 |
| | <hr/> | <hr/> |
| INCREASE IN NET ASSETS | 48,962 | 89,361 |
| Net assets without donor restrictions at beginning of year | <hr/> 636,620 | <hr/> 547,259 |
| Net assets without donor restrictions at end of year | <hr/> <u>\$ 685,582</u> | <hr/> <u>\$ 636,620</u> |

The accompanying notes are an integral part of these statements.

La Salle Charter Schools, Inc.
STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
Year ended June 30, 2022

| | Program services | | | Management and general | Total |
|-----------------------------|-------------------------|-------------------------|---------------------|-----------------------------------|---------------------|
| | Instruction | Support services | Total | | |
| Salaries | \$ 641,638 | \$ 420,712 | \$ 1,062,350 | \$ 138,650 | \$ 1,201,000 |
| Employee benefits and taxes | 240,583 | 132,061 | 372,644 | 44,469 | 417,113 |
| Purchased services | 194,590 | 390,210 | 584,800 | 73,941 | 658,741 |
| Supplies | 67,832 | 93,259 | 161,091 | 3,660 | 164,751 |
| Total expenses | \$ 1,144,643 | \$ 1,036,242 | \$ 2,180,885 | \$ 260,720 | \$ 2,441,605 |

The accompanying notes are an integral part of these statements.

La Salle Charter Schools, Inc.
STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
Year ended June 30, 2021

| | Program services | | | Management and general | Total |
|-----------------------------|-------------------------|-------------------------|---------------------|-----------------------------------|---------------------|
| | Instruction | Support services | Total | | |
| Salaries | \$ 618,494 | \$ 402,381 | \$ 1,020,875 | \$ - | \$ 1,020,875 |
| Employee benefits and taxes | 194,062 | 135,164 | 329,226 | - | 329,226 |
| Purchased services | 25,716 | 368,138 | 393,854 | 75,327 | 469,181 |
| Supplies | 26,765 | 48,760 | 75,525 | 187 | 75,712 |
| Total expenses | \$ 865,037 | \$ 954,443 | \$ 1,819,480 | \$ 75,514 | \$ 1,894,994 |

The accompanying notes are an integral part of these statements.

La Salle Charter Schools, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE A | NATURE OF ORGANIZATION

Nature of Organization

La Salle Charter Schools, Inc. (the School), a not-for-profit corporation, is an independent publicly supported charter school located in the metropolitan area of the St. Louis Missouri Public School District. The School opened in July 2015 and is organized under Chapter 355 Revised Statutes of Missouri (RSMo) and governed by Senate Bill No. 781 of the 89th General Assembly of the Missouri legislature.

Under RSMo, the Curators of the University of Missouri (Sponsor) granted the School a charter effective until June 30, 2025. The sponsorship agreement is renewable by mutual agreement provided that the School is in compliance with the terms of the charter. During the term of the charter, the Sponsor may also terminate the charter if good cause is shown.

The School has two main programs, Instruction and Support Services. Instruction includes primary education and learning. Support services consist of food services, school operation, and after school programs.

NOTE B | SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis differs from generally accepted accounting principles in that certain assets (such as contributions receivable), certain revenues, (such as revenue earned but not yet collected), certain liabilities (such as accounts payable), and certain expenses (such as expenses for goods and services received but not yet paid) are not included in these financial statements.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be satisfied by actions of the Organization or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, on related investments for purposes with or without restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The School did not have any donor restricted net assets as of June 30, 2022 and 2021.

La Salle Charter Schools, Inc.
NOTES TO FINANCIAL STATEMENTS

Governmental Funding

Revenue from federal, state, or local grants and contracts are recognized as revenue by the School when expenses are incurred and billed.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$26,335 and \$30,893 during the years ended June 30, 2022 and 2021, respectively.

Income Taxes

The School is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income under Section 501(a) of the Code. The School files federal informational returns. These returns are generally subject to examination by the Internal Revenue Service for three years from the date they are filed.

Donated Services and In-Kind Contributions

The School receives donated services from professionals and volunteers; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by the modified cash basis of accounting.

Functional Expenses

The cost of providing various programs and supporting services have been summarized on a functional basis in the Statements of Revenues, Expenses, and Changes in Net Assets Without Donor Restrictions – Modified Cash Basis. The Statements of Functional Expenses – Modified Cash Basis present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services as described in Note H.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through **TBD**, the date the financial statements were available to be issued.

NOTE C | LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The School had \$685,582 and \$636,620 of financial assets consisting of cash available for general expenditures within one year of the years ended June 30, 2022 and 2021, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures. The School has a goal to maintain sufficient liquid financial assets on hand to continue operations.

La Salle Charter Schools, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE D | AFFILIATE

The School has an operating lease agreement for the lease of instruction and administrative office space that is owned by De La Salle, Inc. The lease expires on June 30, 2025. The lease shall automatically renew for consecutive one-year terms, unless terminated by either party, six months prior to when the automatic renewal period begins. Beginning July 1, 2021, the School is responsible for all services, utilities and insurance necessary to operate the space and is required to pay rent in the amount of \$1 on an annual basis. Prior to July 1, 2021, the School was paying \$11,000 monthly under a full service lease which included utilities, repairs, maintenance and insurance. Lease expense paid for years ended June 30, 2022 and 2021 were \$1 and \$110,000, respectively. For the years ended June 30, 2022 and 2021, De La Salle, Inc. did not charge the School market value for rent of the space. The donated portion of the rent was approximately \$120,000 and \$64,452 for the years ended June 30, 2022 and 2021, respectively.

The School received \$144,091 from De La Salle, Inc. during the year ended June 30, 2022. The revenue is recognized as contributions in the Statement of Revenues, Expenses and Changes in Net Assets Without Donor Restrictions.

The School received approximately \$0 and \$68,000 in donated management and accounting services from De La Salle, Inc. during the years ended June 30, 2022 and 2021, respectively.

NOTE E | RISK MANAGEMENT

The School is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance, with limitation, to protect it from such risks.

NOTE F | CONTINGENCY

Amounts received from grants or contracts by outside agencies are subject to audit and adjustment by grantor agencies, principally the Missouri Department of Elementary and Secondary Education and the federal government. Any disallowed amounts may constitute a liability of the School. The amounts, if any, which may be disallowed by any grantors cannot be determined at this time. Management believes any such amount would not have a material effect on the accompanying financial statements.

NOTE G | RETIREMENT PLAN

The School contributes to the Public School Retirement System of the City of St. Louis, a cost-sharing, multi-employer defined benefit pension plan. Participation is mandatory under Missouri Revised Statutes, Chapter 105 and 169.

The Retirement System members were required to contribute 7.00% of covered school compensation for the period July 1, 2021 through December 31, 2021 and 7.50% for the period January 1, 2022 through June 30, 2022. The Retirement System Members were required to contribute 6.50% of covered school compensation for the period July 1, 2020 through December 31, 2020 and 7.00% for the period January 1, 2021 through June 30, 2021. The employee contribution rate is determined by the Plan's statute.

La Salle Charter Schools, Inc.
NOTES TO FINANCIAL STATEMENTS

The School was required to contribute 14.50% of covered school compensation for the period July 1, 2021 through December 31, 2021 and 14.00% for the period January 1, 2021 through June 30, 2022.

The School was required to contribute 15.00% of covered school compensation for the period July 1, 2020 through December 31, 2020 and 14.50% for the period January 1, 2021 through June 30, 2021. The employer contribution rates are determined annually as part of the Annual Valuation Report made by the Plan's actuary.

The total employer contributions for the years ended June 30, 2022 and 2021 were \$183,897 and \$160,875, respectively.

NOTE H | FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are occupancy costs that are allocated based on estimated square footage.

La Salle Charter Schools, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS – UNAUDITED
Year ended June 30, 2022

| | General | Special revenue | Capital projects | Total funds |
|---|--------------------|--------------------|---------------------|-------------------|
| Revenues | | | | |
| Local | \$ 288,987 | \$ 64,893 | \$ - | \$ 353,880 |
| State | 1,301,249 | - | - | 1,301,249 |
| Federal | 835,438 | - | - | 835,438 |
| Total revenues | <u>2,425,674</u> | <u>64,893</u> | <u>-</u> | <u>2,490,567</u> |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 223,209 | 885,559 | - | 1,108,768 |
| Attendance | 206,758 | 153,868 | - | 360,626 |
| Psychological testing services | - | 40,145 | - | 40,145 |
| Speech pathology and audiology services | - | 16,861 | - | 16,861 |
| Instructional staff training services | 11,983 | - | - | 11,983 |
| Administrative technology services | 620 | - | - | 620 |
| Office of the principal services | 1,501 | 349,896 | - | 351,397 |
| Support services - business-services area direction | 248,058 | - | - | 248,058 |
| Operation and maintenance of plant services | 211,026 | - | - | 211,026 |
| Food preparation and dispensing services | 92,121 | - | - | 92,121 |
| Total expenditures | <u>995,276</u> | <u>1,446,329</u> | <u>-</u> | <u>2,441,605</u> |
| Excess of revenues over (under) expenditures | 1,430,398 | (1,381,436) | - | 48,962 |
| Other sources (uses) | | | | |
| Transfers to (from) | <u>(1,381,436)</u> | <u>1,381,436</u> | <u>-</u> | <u>-</u> |
| NET INCREASE IN FUND BALANCE | 48,962 | - | - | 48,962 |
| Fund balances at July 1, 2021 | <u>633,970</u> | <u>-</u> | <u>2,650</u> | <u>636,620</u> |
| Fund balances at June 30, 2022 | <u>\$ 682,932</u> | <u>\$ -</u> | <u>\$ 2,650</u> | <u>\$ 685,582</u> |

La Salle Charter Schools, Inc.
SCHEDULE OF REVENUES COLLECTED BY SOURCE – MODIFIED CASH BASIS –
GOVERNMENTAL FUNDS - UNAUDITED
Year ended June 30, 2022

| | General | Special revenue | Capital projects | Total funds |
|--|---------------------|----------------------------|-----------------------------|------------------------|
| Local | | | | |
| School district trust fund (Prop C) | \$ 108,156 | \$ 64,893 | \$ - | \$ 173,049 |
| Student Activities | 21,289 | - | - | 21,289 |
| Gifts | 144,091 | - | - | 144,091 |
| Miscellaneous | 15,451 | - | - | 15,451 |
| | <u>288,987</u> | <u>64,893</u> | <u>-</u> | <u>353,880</u> |
| State | | | | |
| Basic formula | 1,300,881 | - | - | 1,300,881 |
| Food service | 368 | - | - | 368 |
| | <u>1,301,249</u> | <u>-</u> | <u>-</u> | <u>1,301,249</u> |
| Federal | | | | |
| Medicaid | 33,574 | - | - | 33,574 |
| ARP ESSER III | 226,199 | - | - | 226,199 |
| CRSA ESSER II | 75,727 | - | - | 75,727 |
| CARES ESSER | 19,745 | - | - | 19,745 |
| CARES Governor's Emergency Education Relief Fund | 9,000 | - | - | 9,000 |
| IDEA Entitlement Funds, Part B IDEA | 41,999 | - | - | 41,999 |
| Food service | 75,938 | - | - | 75,938 |
| Title I - ESEA | 320,201 | - | - | 320,201 |
| Title II, Part A, ESEA | 8,567 | - | - | 8,567 |
| Title IV, Part A Student Support and Academic Enrichment | 13,396 | - | - | 13,396 |
| Other | 11,092 | - | - | 11,092 |
| | <u>835,438</u> | <u>-</u> | <u>-</u> | <u>835,438</u> |
| Total revenues | <u>\$ 2,425,674</u> | <u>\$ 64,893</u> | <u>\$ -</u> | <u>\$ 2,490,567</u> |

La Salle Charter Schools, Inc.
SCHEDULE OF EXPENDITURES PAID BY OBJECT – MODIFIED CASH BASIS –
GOVERNMENTAL FUNDS – UNAUDITED
Year ended June 30, 2022

| | General | Special revenue | Total funds |
|-------------------------------|-------------------|----------------------------|------------------------|
| Salaries | \$ 176,888 | \$ 1,024,112 | \$ 1,201,000 |
| Employee benefits | 55,242 | 361,871 | 417,113 |
| Purchased services | 598,395 | 60,346 | 658,741 |
| Supplies and materials | 164,751 | - | 164,751 |
| | <u>\$ 995,276</u> | <u>\$ 1,446,329</u> | <u>\$ 2,441,605</u> |