

CONCEPT SCHOOLS, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2024

And Report of Independent Auditor

CONCEPT SCHOOLS, INC.
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Report of Independent Auditor

To the Board of Directors
Concept Schools, Inc.
Schaumburg, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Concept Schools, Inc. (a not-for-profit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concept Schools, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Concept 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Concept 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 November 1, 2024 on our consideration of Concept Schools, Inc.'s internal control over financial reporting and 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 Concept 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 Concept Schools, Inc.'s internal control over financial reporting and compliance.

Cherry Bekaert LLP

Orland Park, Illinois
November 1, 2024

CONCEPT SCHOOLS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

ASSETS

Current Assets:

Cash	\$ 49,783,736
Accounts receivable	3,288,218
Grants receivable	2,231,483
Prepaid expenses and other current assets	210,595
Total Current Assets	<u>55,514,032</u>

Property and equipment, net of accumulated depreciation	<u>39,925,129</u>
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Other Assets:

Due from charter schools	4,850,000
Employee retention credit receivable	4,473,317
Right-of-use assets - operating leases, net	6,294,900
Asset under interest rate swap contracts	1,567,401
Total Other Assets	<u>17,185,618</u>

Total Assets	<u><u>\$ 112,624,779</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 1,396,711
Accrued expenses	4,154,237
Current portion of notes payable	1,664,310
Current portion of obligations under operating leases	526,212
Total Current Liabilities	<u>7,741,470</u>

Long-Term Liabilities:

Notes payable, less current portion	13,619,448
Obligations under operating leases, net of current portion	6,066,762
Total Long-Term Liabilities	<u>19,686,210</u>
Total Liabilities	27,427,680

Net Assets:

Without donor restrictions	85,197,099
Total Liabilities and Net Assets	<u><u>\$ 112,624,779</u></u>

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

CONCEPT SCHOOLS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

Net Assets Without Donor Restrictions:

Revenues:

Per capita tuition, net	\$	40,847,052
Management fees		16,870,467
Change in fair value of interest rate swaps		(189,307)
Contributions		206,344
Grants		6,438,877
In-kind contributions - CPS		327,173
Investment income		1,942,901
Other income		840,169
Total Revenues		<u>67,283,676</u>

Expenses:

Program services		54,452,511
Supporting Services:		
Management and general		2,547,947
Fundraising		497,739
Total Expenses		<u>57,498,197</u>

Change in net assets		9,785,479
Net assets, beginning of year		<u>75,411,620</u>
Net assets, end of year	\$	<u><u>85,197,099</u></u>

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

CONCEPT SCHOOLS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and benefits	\$ 34,873,592	\$ 2,325,257	\$ -	\$ 37,198,849
Advertising	482,986	-	-	482,986
Depreciation	1,806,611	5,614	-	1,812,225
Dues and subscriptions	33,722	-	-	33,722
Educational supplies and services	3,357,583	-	18,457	3,376,040
In-kind expenses - CPS	327,173	-	-	327,173
Insurance	169,878	8,941	-	178,819
Interest	487,200	15,068	-	502,268
Management services	867,772	-	9,015	876,787
Office supplies	917,651	35,950	4,435	958,036
Payroll taxes	1,148,158	91,595	-	1,239,753
Printing and reproduction	6,812	-	860	7,672
Professional fees	1,540,303	-	19,653	1,559,956
Pupil transportation	1,070,711	-	-	1,070,711
Rent	851,539	20,971	-	872,510
Repairs and maintenance	923,476	-	-	923,476
School program expense	4,416,462	-	399,739	4,816,201
Supplies and materials	112,048	3,465	-	115,513
Taxes	86,879	-	-	86,879
Telephone	3,214	99	-	3,313
Travel and entertainment	407,697	23,635	45,580	476,912
Utilities	561,044	17,352	-	578,396
Total Expenses	\$ 54,452,511	\$ 2,547,947	\$ 497,739	\$ 57,498,197

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

CONCEPT SCHOOLS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ 9,785,479
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Change in fair value of interest rate swaps	189,307
Depreciation	1,812,225
Amortization of right-of-use assets under operating leases	603,834
Forgiveness of notes due from charter schools	(1,400,000)
Effects of changes in operating assets and liabilities:	
Accounts receivable	(276,430)
Grants receivable	(29,683)
Prepaid expenses and other current assets	(68,262)
Accounts payable and accrued expenses	709,101
Obligations under operating leases	(462,411)
Net cash flows from operating activities	<u>10,863,160</u>
Cash flows from investing activities:	
Payments for purchases of property and equipment	(1,863,798)
Advances made to charter schools	(2,323,333)
Net cash flows from investing activities	<u>(4,187,131)</u>
Cash flows from financing activities:	
Principal repayments of notes payable	<u>(993,250)</u>
Net change in cash	5,682,779
Cash, beginning of year	<u>44,100,957</u>
Cash, end of year	<u>\$ 49,783,736</u>
Other cash flow information:	
Interest paid	<u>\$ 511,352</u>

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

CONCEPT SCHOOLS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 1—Nature of operations

Concept Schools, Inc. and its subsidiaries (Horizon Science Academy - Belmont Charter School ("Belmont"), Horizon Science Academy - McKinley Park Charter School ("McKinley Park"), Horizon Science Academy - Southwest Chicago Charter School ("Southwest"), and CSMS, NFP) were established to organize, operate, and manage K - 12 charter schools. CSMS, NFP is a nonstock corporation that provides professional and technical services to the charter schools of Concept Schools, Inc.

Concept Schools, Inc. currently manages 24 charter schools and a special education cooperative under annual agreements and operates three charter schools (Belmont, McKinley Park, and Southwest).

Belmont's and McKinley Park's charter school agreements with the Illinois State Board of Education expire in 2028. Southwest's charter school agreement with Chicago Public Schools ("CPS") expires in 2025.

Concept Schools, Inc., through the Future Institute, prepares seniors and graduates for success in college and their careers by providing various events, workshops, mentorships, and scholarships.

Note 2—Significant accounting policies

Basis of Presentation – The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit organizations.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Concept Schools, Inc. and its subsidiaries. Interentity transactions and balances have been eliminated in consolidation.

Concept Schools, Inc. and its subsidiaries will be referred to as "Concept."

Accounting Estimates – The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash – For purposes of the consolidated statement of cash flows, Concept considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk – Concept maintains its cash balances in one financial institution located in Chicago, Illinois. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2024, Concept's cash accounts exceeded federally insured limits by approximately \$49,271,000. Concept has not experienced any losses and does not believe it is exposed to any significant credit risk on cash.

Accounts Receivable – Concept Schools, Inc. extends credit to the schools it manages and generally requires no collateral. Accounts receivable are reported at their outstanding balance reduced by the current expected credit losses, if any.

CONCEPT SCHOOLS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 2—Significant accounting policies (continued)

The current expected credit loss is increased by charges to income and decreased by charge offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on its past collection experience, known and inherent risks of the schools comprising the accounts receivable balance, adverse situations that may affect the school's ability to pay, and current economic conditions. Accounts receivable are charged off when management deems the balance to be uncollectible. Based on a review of outstanding accounts receivable, management determined that an allowance for current expected credit losses was immaterial at June 30, 2024.

Property and Equipment – Property and equipment have been recorded at cost if purchased or at fair value at time of donation if received as a gift. Concept Schools, Inc. and CSMS, NFP capitalize property and equipment over \$10,000 that have a useful life of more than one year. Belmont, McKinley Park, and Southwest capitalize property and equipment over \$500 that have a useful life of more than one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Net Assets – Net assets, revenues, gains, and losses 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 – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the existence and/or nature of the restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. There were not assets with donor restrictions at June 30, 2024.

Revenue and Support Recognition – Concept derives its revenue primarily from fixed-price single performance obligation contracts. Management fees are recognized as revenue over the period of time to which they apply, which is generally one year.

Concept has elected to use the portfolio approach practical expedient. Concept's contracts with customers contain similar terms and as a result, Concept has elected to apply its revenue recognition policies to a portfolio of contracts with similar characteristics. Concept does not expect the results of doing so to differ materially from applying the guidance to individual contracts.

Concept recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of Concept's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when Concept has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures

CONCEPT SCHOOLS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 2—Significant accounting policies (continued)

are reported as refundable advances in the consolidated statement of financial position. There were no such grants at June 30, 2024. No amounts have been received in advance under the federal and state contracts and grants.

In-Kind Contributions – Southwest receives in-kind contributions from CPS related to food program operations. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Southwest.

Southwest recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Southwest's policy related to in-kind contributions is to utilize the assets given to carry out the mission of Southwest. If an asset is provided that does not allow Southwest to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. See Note 8 for a description of the valuation techniques utilized for Southwest's in-kind contributions.

Functional Expenses – The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable 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 include salaries and benefits and specific departmental expenses which are allocated on the basis of estimates of time and effort, as well as depreciation, occupancy, and interest which are allocated on a square footage basis. The remainder of expenses are directly identified to the functional category to which it applies.

Employee Retention Credit – The provisions of the Coronavirus Aid, Relief, and Economic Security Act provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes for eligible employers. Management determined Concept qualifies for the ERC and has elected to treat the credit in accordance with the conditional government grants model. Concept has an ERC receivable balance of \$4,473,317 as of June 30, 2024. Concept has filed for refunds of the ERC and has not received any amount to date.

Leases – Concept leases certain buildings and office spaces. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Right-of-use ("ROU") assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Concept uses the implicit rate when it is readily determinable. Since most of Concept's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Concept's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise the option.

CONCEPT SCHOOLS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 2—Significant accounting policies (continued)

Adoption of New Accounting Standard - Credit Losses – In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. Concept adopted this new accounting standard effective July 1, 2023, and all related amendments using the modified retrospective method. There was no significant impact to Concept’s operating results for the current period due to this standard update.

Subsequent Events – Subsequent events have been evaluated through November 1, 2024, the date the consolidated financial statements were available to be issued.

Note 3—Availability and liquidity

Financial assets available at June 30, 2024 to meet Concept’s cash needs for general expenditure within one year were comprised of the following:

Financial assets:

Cash	\$ 49,783,736
Accounts receivable	<u>3,288,218</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 53,071,954</u></u>

Concept’s goal is to maintain available financial assets sufficient to meet its general expenditures, liabilities, and other obligations as they become due.

Note 4—Due from charter schools

Concept Schools, Inc. has made advances to charter schools. The advances are non-interest bearing, unsecured, and due on demand. The balance receivable at June 30, 2024 was \$4,850,000. At June 30, 2024, there are no loans past due.

Although the advances are due on demand, management of Concept Schools, Inc. has indicated that demand for repayment will not be made during the year ending June 30, 2025; therefore, the advances receivable are classified as a noncurrent asset on the accompanying consolidated statement of financial position. Management considers the loans past due status and the borrower’s ability to pay, including the borrower’s cash on hand and operational results, when estimating expected credit losses.

CONCEPT SCHOOLS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 5—Property and equipment

Property and equipment at June 30, 2024 consisted of the following:

Land	\$ 1,842,838
Buildings and improvements	40,188,465
Equipment and furniture	5,486,890
Vehicles	387,616
Less accumulated depreciation	<u>(7,980,680)</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 39,925,129</u></u>

Note 6—Notes payable

Notes payable at June 30, 2024 consisted of the following:

McKinley Park has a note payable to a bank that is due in monthly principal installments of \$75,833, plus interest at the daily SOFR plus 1.30%, with the final payment due in April 2031. McKinley Park entered into an interest rate swap contract that converts the floating rate to a fixed rate of 2.86%. The note is collateralized by real estate.

\$ 6,218,333

Southwest has a note payable to a bank that is due in monthly principal installments of \$61,111, plus interest at the SOFR plus 1.90%, with the final balloon payment due in October 2031. Southwest entered into an interest rate swap contract that converts the floating rate to a fixed rate of 3.34%. The note is collateralized by real estate.

9,044,447

Southwest has a note payable to a bank that is due in monthly installments of \$2,098, including interest at 4.95%, with the final payment due in April 2025. The note is collateralized by two vehicles.

20,978

Less current portion

15,283,758

(1,664,310)

Long-term portion

\$ 13,619,448

Future maturities of the notes payable in years ending June 30 are as follows:

2025	\$ 1,664,310
2026	1,643,332
2027	1,643,332
2028	1,643,332
2029	1,643,332
Thereafter	<u>7,046,120</u>
	<u><u>\$ 15,283,758</u></u>

CONCEPT SCHOOLS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 7—Obligation under interest rate swap contracts

McKinley Park

The note payable related to McKinley Park described in Note 6 bears interest at the daily SOFR plus 1.30%. In April 2021, McKinley Park entered into an interest rate swap contract that effectively converts the interest rate on the note to a fixed rate of 2.86%. Under the swap contract, McKinley Park pays interest at the daily SOFR plus 1.30%. The notional amount under the swap decreases as principal payments are made on the note so that the notional amount equals the principal outstanding under the note. The swap is designed to hedge the risk of changes in interest payments on the notes caused by changes in SOFR.

U.S. GAAP requires interest rate swap contracts to be recognized at fair value as either assets or liabilities in the consolidated statement of financial position. The value of the interest rate swap contract is reported on the consolidated statement of financial position at June 30, 2024 as an asset of \$521,085. The change in the value of the interest rate swap for the year ended June 30, 2024 was \$122,538 and is reported on the consolidated statement of activities. Fair value has been measured based on an estimate of the amount needed to settle the contract as calculated by the counterparty to the swap contract. The calculation was based on changes in market conditions and/or assumptions underlying the valuation models used.

Interest expense on the underlying note payable for the year ended June 30, 2024 totaled \$193,006. Excess interest paid of \$296,937 under the interest rate swap contract was refunded during the year ended June 30, 2024.

Southwest

The note payable related to Southwest described in Note 6 bears interest at SOFR plus 1.90%. In October 2021, Southwest entered into an interest rate swap contract that effectively converts the interest rate on the note to a fixed rate of 3.34%. Under the swap contract, Southwest pays interest at SOFR plus 1.44% and receives interest at SOFR. The notional amount under the swap decreases as principal payments are made on the note so that the notional amount equals the principal outstanding under the note. The swap is designed to hedge the risk of changes in interest payments on the notes caused by changes in SOFR.

U.S. GAAP requires interest rate swap contracts to be recognized at fair value as either assets or liabilities in the consolidated statement of financial position. The value of the interest rate swap contract is reported on the consolidated statement of financial position at June 30, 2024 as an asset of \$1,046,316. The change in the value of the interest rate swap for the year ended June 30, 2024 was \$66,769 and is reported on the consolidated statement of activities. Fair value has been measured based on an estimate of the amount needed to settle the contract as calculated by the counterparty to the swap contract. The calculation was based on changes in market conditions and/or assumptions underlying the valuation models used.

Interest expense on the underlying note payable for the year ended June 30, 2024 totaled \$307,337. Excess interest paid of \$335,676 under the interest rate swap contract was refunded during the year ended June 30, 2024.

CONCEPT SCHOOLS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 8—In-kind contributions

Southwest received the following in-kind contributions of goods, services, and other costs for the year ended June 30, 2024:

Food	\$ 142,149
Labor	149,826
Indirect cost	35,198
Total in-kind contributions	<u>\$ 327,173</u>

CPS provided the food, labor, and indirect cost to Southwest at their original costs.

Note 9—Retirement plan

Concept Schools, Inc. sponsors a 401(k) plan ("Plan") that covers eligible employees of Concept Schools, Inc. and CSMS, NFP. Employees of Southwest, Belmont, and McKinley participate in state-sponsored retirement plans making them ineligible to participate in the Plan. Under terms of the Plan, employees are entitled to defer a portion of their total compensation, within limitations established by the Internal Revenue Code. Concept Schools, Inc. and CSMS, NFP may make discretionary matching contributions. Matching contributions for the year ended June 30, 2024 totaled \$360,417.

Note 10—Leases

Concept has operating lease agreements that require monthly payments ranging from \$1,508 to \$57,798, and lease maturity dates up through May 2029. One of the lease agreements contains an allowance as defined per the agreement assuming Concept continues to meet the defined criteria for the allowance. The total benefit to Concept through a reduction in cash payments amounts to \$141,540 through May 2029.

Certain leases include optional renewal periods. When it is reasonably certain that a renewal option will be exercised that renewal period is included in the lease term, and the related payments are reflected in the ROU asset and lease liability.

Concept elects to apply the short-term lease measurement and recognition exemption to leases that meet the criteria. As of June 30, 2024, Concept has entered into one lease that qualifies for the short-term lease measurement and recognition exemption.

Lease expense for the year ended June 30, 2024 was as follows.

Operating leases:	
Fixed rent expense	\$ 706,310
Short-term lease expense	138,700
Month-to-month lease expense	27,500
Total lease expense	<u>\$ 872,510</u>

CONCEPT SCHOOLS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 10—Leases (continued)

Aggregate future minimum lease payments and the present value of net future minimum payments, assuming allowances totaling \$141,540 at June 30, 2024 are as follows:

2025	\$ 527,047
2026	465,107
2027	572,343
2028	584,098
2029	593,335
Thereafter	<u>4,496,762</u>
	7,238,692
Less interest	<u>(645,718)</u>
	<u>\$ 6,592,974</u>

As of June 30, 2024, the weighted-average remaining lease term for all operating leases is 11.85 years.

Because Concept generally does not have access to the rate implicit in the lease, Concept utilizes the risk-free rate as the discount rate. The weighted-average discount rate associated with operating leases as of June 30, 2024 is 1.54%.

Note 11—Management fee income

Concept Schools, Inc., being organized exclusively for charitable and educational purposes under Illinois law, strives to make its charitable services and programs available to the appropriate general public without undue obstacles to access. It is the consistent practice of Concept Schools, Inc. that any fees or charges associated with the charitable services and programs of Concept Schools, Inc. will be waived or reduced in accordance with each member school's ability to pay. Management fee income on the statement of activities for the year ended June 30, 2024 is reported net of fee waivers and reductions totaling \$957,201.

Note 12—Income taxes

Concept Schools, Inc., including Belmont, McKinley Park, and Southwest, operates as a not-for-profit organization and has received exempt status under Section 501(c)(3) of the Internal Revenue Code. CSMS, NFP is taxed as a C corporation.

Concept Schools, Inc. and CSMS, NFP have evaluated the tax positions taken for all open tax years. Currently, the returns for the prior three fiscal years are open and subject to examination by the Internal Revenue Service; however, Concept Schools, Inc. and CSMS, NFP are not currently under audit nor has Concept Schools, Inc. and CSMS, NFP been contacted by this jurisdiction.

Based on the evaluation of Concept Schools, Inc. and CSMS, NFP's tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2024.

CONCEPT SCHOOLS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 13—Health insurance plan

Concept sponsors a self-insured health insurance plan for its employees. The plan limits its losses through the use of stop-loss policies from reinsurers. Specific individual losses for claims are limited to \$100,000 per year. The plan's aggregate annual loss limitation is based on a formula that considers, among other things, the total number of employees. Expenses under the plan for the year ended June 30, 2024 totaled \$2,726,164. Concept's accrual for health insurance claims payable is based upon unpaid claims and an estimate of claims incurred but not yet reported as of year-end. Accrued health insurance claims payable, which are included in accrued expenses at June 30, 2024 totaled \$1,299,795.

Note 14—Enrollment

Comparisons of budgeted and actual enrollment for Belmont and McKinley for the year ended June 30, 2024 are as follows:

	Enrollment	
	Funded	Actual
Belmont	680	650
McKinley	860	848
Southwest	735	735

Note 15—Teacher retirement fund commitments

Belmont, McKinley Park, and Southwest participate in the Public School Teachers' Pension and Retirement Fund of Chicago (the "Fund"), a cost sharing multiple employer defined benefit public employee retirement system. Members of the Fund include all active nonannuitants who are employed by a Fund-covered employer and who hold an Illinois State Teacher Certification Board certification.

Belmont and McKinley

During the year ended June 30, 2024, Belmont and McKinley Park made employer contributions to the Fund of \$445,643 and \$550,324, respectively.

Southwest

Southwest's employer's contribution expense is equal 11.16% of total qualified pensionable salaries. During the year ended June 30, 2024, CPS charged Southwest an estimated employer's contribution of \$388,040. The table below is a summary of the pension true-up for the year ended June 30, 2024.

Total pensionable salaries	\$ 5,339,516
Employee's contribution expenses picked up by employer (7%)	\$ 373,766
Employer's contribution expense (11.16%)	\$ 595,890
Less amount charged by CPS for employer's pension expense, net	(521,386)
Pension true-up amount	\$ 74,504

CONCEPT SCHOOLS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

Note 16—Special education funding

During the year ended June 30, 2024, Southwest received special education funding ("SPED") from CPS totaling \$1,104,243. These funds were used for the following purposes:

<u>SPED Funding</u>	<u>FTEs</u>	<u>Total</u>
The number of SPED teachers (FTEs) and the total amount spent on SPED teachers (salaries + benefits)	9	\$ 665,739
The number of SPED paraprofessionals (FTEs) and the total amount spent on ParaPros (salaries + benefits)	8	452,996
The amount spent on related service providers, including the specific amounts spent on the following disciplines:		
Psychologists	-	29,857
Social workers	1	79,378
Speech-language pathologists	1	68,400
Occupational therapists	-	42,443
Registered nurses (RNs) or Licensed practical nurses (LPNs)	1	68,390
Homebound Services for SPED student	-	2,080
	<u>20</u>	<u>\$ 1,409,283</u>

Note 17—Contingency

The \$4,473,317 ERC is subject to examination for a period of up to five years from the filing date of the ERC refunds. Concept is not currently under examination nor has Concept been contacted.

SUPPLEMENTARY INFORMATION

CONCEPT SCHOOLS, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

	Concept Schools, Inc.	Horizon Science Academy Belmont	Horizon Science Academy Mckinley Park	Horizon Science Academy Southwest	CSMS, NFP	Eliminations	Consolidated
ASSETS							
Current Assets:							
Cash	\$ 34,585,130	\$ 3,380,145	\$ 10,946,206	\$ 550,253	\$ 322,002	\$ -	\$ 49,783,736
Accounts receivable	3,902,023	110,300	256,720	-	795,386	(1,776,211)	3,288,218
Grants receivable	-	814,090	974,323	443,070	-	-	2,231,483
Prepaid expenses and other current assets	35,594	40,760	113,889	20,352	-	-	210,595
Total Current Assets	38,522,747	4,345,295	12,291,138	1,013,675	1,117,388	(1,776,211)	55,514,032
Property and equipment, net of accumulated depreciation	2,949,058	7,817,541	15,472,982	13,685,548	-	-	39,925,129
Other Assets:							
Due from charter schools	11,754,445	-	-	-	-	(6,904,445)	4,850,000
Employee retention credit receivable	-	1,124,209	1,740,482	1,608,626	-	-	4,473,317
Right-of-use assets - operating leases, net	200,143	6,094,757	-	-	-	-	6,294,900
Asset under interest rate swap contracts	-	-	521,085	1,046,316	-	-	1,567,401
Total Other Assets	11,954,588	7,218,966	2,261,567	2,654,942	-	(6,904,445)	17,185,618
Total Assets	\$ 53,426,393	\$ 19,381,802	\$ 30,025,687	\$ 17,354,165	\$ 1,117,388	\$ (8,680,656)	\$ 112,624,779

CONCEPT SCHOOLS, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

	Concept Schools, Inc.	Horizon Science Academy Belmont	Horizon Science Academy Mckinley Park	Horizon Science Academy Southwest	CSMS, NFP	Eliminations	Consolidated
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts payable	\$ 1,052,665	\$ 518,614	\$ 878,252	\$ 668,770	\$ 54,621	\$ (1,776,211)	\$ 1,396,711
Accrued expenses	1,380,101	938,925	960,472	835,248	39,491	-	4,154,237
Current portion of notes payable	-	-	910,000	754,310	-	-	1,664,310
Current portion of obligations under operating leases	99,597	426,615	-	-	-	-	526,212
Total Current Liabilities	2,532,363	1,884,154	2,748,724	2,258,328	94,112	(1,776,211)	7,741,470
Long-Term Liabilities:							
Notes payable, less current portion	-	-	5,308,333	8,311,115	-	-	13,619,448
Obligations under operating leases, net of current portion	104,173	5,962,589	-	-	-	-	6,066,762
Due to charter schools	-	3,780,000	-	3,124,445	-	(6,904,445)	-
Total Long-Term liabilities	104,173	9,742,589	5,308,333	11,435,560	-	(6,904,445)	19,686,210
Total Liabilities	2,636,536	11,626,743	8,057,057	13,693,888	94,112	(8,680,656)	27,427,680
Net Assets:							
Without donor restrictions	50,789,857	7,755,059	21,968,630	3,660,277	1,023,276	-	85,197,099
Total Liabilities and Net Assets	\$ 53,426,393	\$ 19,381,802	\$ 30,025,687	\$ 17,354,165	\$ 1,117,388	\$ (8,680,656)	\$ 112,624,779

CONCEPT SCHOOLS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	Concept Schools, Inc.	Horizon Science Academy Belmont	Horizon Science Academy Mckinley Park	Horizon Science Academy Southwest	CSMS, NFP	Eliminations	Consolidated
Net Assets Without Donor Restrictions:							
Revenues:							
Per capita tuition, net	\$ -	\$ 12,356,428	\$ 15,624,625	\$ 12,865,999	\$ -	\$ -	\$ 40,847,052
Management fees	21,058,276	-	-	-	3,936,170	(8,123,979)	16,870,467
Change in fair value of interest rate swaps	-	-	(122,538)	(66,769)	-	-	(189,307)
Contributions	65,299	108,000	33,045	-	-	-	206,344
Grants	-	3,431,781	3,007,096	-	-	-	6,438,877
In-kind contributions - CPS	-	-	-	327,173	-	-	327,173
Investment income	1,600,573	50,220	292,108	-	-	-	1,942,901
Other income	328,482	54,534	342,617	67,345	47,191	-	840,169
Total Revenues	23,052,630	16,000,963	19,176,953	13,193,748	3,983,361	(8,123,979)	67,283,676
Expenses:							
Program services	15,050,268	15,572,299	15,926,568	12,482,564	3,544,791	(8,123,979)	54,452,511
Supporting Services:							
Management and general	693,017	520,518	529,217	460,106	345,089	-	2,547,947
Fundraising	497,739	-	-	-	-	-	497,739
Total Expenses	16,241,024	16,092,817	16,455,785	12,942,670	3,889,880	(8,123,979)	57,498,197
Change in net assets	6,811,606	(91,854)	2,721,168	251,078	93,481	-	9,785,479
Net assets, beginning of year	43,978,251	7,846,913	19,247,462	3,409,199	929,795	-	75,411,620
Net assets, end of year	\$ 50,789,857	\$ 7,755,059	\$ 21,968,630	\$ 3,660,277	\$ 1,023,276	\$ -	\$ 85,197,099

CONCEPT SCHOOLS, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024

	Concept Schools, Inc.	Horizon Science Academy Belmont	Horizon Science Academy Mckinley Park	Horizon Science Academy Southwest	CSMS, NFP	Eliminations	Consolidated
Cash flows from operating activities:							
Change in net assets	\$ 6,811,606	\$ (91,854)	\$ 2,721,168	\$ 251,078	\$ 93,481	\$ -	\$ 9,785,479
Adjustments to reconcile change in net assets to net cash flows from operating activities:							
Change in fair value of interest rate swaps			122,538	66,769	-	-	189,307
Depreciation	187,134	506,608	664,585	453,898	-	-	1,812,225
Amortization of right-of-use assets under operating lease	139,327	464,507	-	-	-	-	603,834
Forgiveness of notes due from charter schools	(1,400,000)	-	-	-	-	-	(1,400,000)
Effects of changes in operating assets and liabilities:							
Accounts receivable	(277,054)	-	158,120	(5,954)	(304,270)	152,728	(276,430)
Grants receivable	-	(29,683)	-	-	-	-	(29,683)
Prepaid expenses and other current assets	12,401	(25,167)	(61,130)	5,634	-	-	(68,262)
Accounts payable and accrued expenses	610,031	(303,715)	127,264	392,364	35,885	(152,728)	709,101
Obligations under operating leases	(140,687)	(321,724)	-	-	-	-	(462,411)
Net cash flows from operating activities	5,942,758	198,972	3,732,545	1,163,789	(174,904)	-	10,863,160
Cash flows from investing activities:							
Payments for purchases of property and equipment	(205,796)	(1,332,638)	(292,981)	(32,383)	-	-	(1,863,798)
Advances made to charter schools	(1,645,859)	-	-	-	-	(677,474)	(2,323,333)
Collections of advances made to charter schools	673,333	-	-	-	-	(673,333)	-
Net cash flows from investing activities	(1,178,322)	(1,332,638)	(292,981)	(32,383)	-	(1,350,807)	(4,187,131)
Cash flows from financing activities:							
Principal repayments of notes payable	-	-	(910,000)	(756,583)	-	673,333	(993,250)
Repayments of advances received from Concept Schools, Inc	-	(424,141)	-	(253,333)	-	677,474	-
Net cash flows from financing activities	-	(424,141)	(910,000)	(1,009,916)	-	1,350,807	(993,250)
Net change in cash	4,764,436	(1,557,807)	2,529,564	121,490	(174,904)	-	5,682,779
Cash, beginning of year	29,820,694	4,937,952	8,416,642	428,763	496,906	-	44,100,957
Cash, end of year	\$ 34,585,130	\$ 3,380,145	\$ 10,946,206	\$ 550,253	\$ 322,002	\$ -	\$ 49,783,736
Other cash flow information:							
Interest paid	\$ -	\$ -	\$ 198,370	\$ 312,982	\$ -	\$ -	\$ 511,352

SINGLE AUDIT SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Concept Schools, Inc.
Schaumburg, Illinois

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 consolidated financial statements of Concept Schools, Inc. (a not-for-profit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Concept Schools, Inc.'s internal control over financial reporting ("internal control") as a basis for designing 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 Concept Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Concept Schools, Inc.'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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Orland Park, Illinois
November 1, 2024

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Concept Schools, Inc.
Schaumburg, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Concept Schools, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Concept Schools, Inc.'s major federal programs for the year ended June 30, 2024. Concept Schools, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Concept Schools, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Concept Schools, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Concept Schools, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Concept Schools, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Concept Schools, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Concept Schools, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Concept Schools, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Concept Schools, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Concept Schools, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope for our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Orland Park, Illinois
November 1, 2024

CONCEPT SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Special Education Cluster (IDEA):				
U.S. Department of Education Programs:				
Illinois State Board of Education:				
IDEA Pre-School Flow-through - Belmont	84.173	24-4600	\$ -	\$ 1,891
IDEA Pre-School Flow-through - McKinley	84.173	24-4600	-	3,071
Total for IDEA Pre-School Flow-through			-	4,962
IDEA Flow-through - Belmont	84.027	24-4620	-	140,537
IDEA Flow-through - McKinley	84.027	24-4620	-	221,671
Total for IDEA Flow-through			-	362,208
Total Special Education Cluster (IDEA)			-	367,170
Child Nutrition Cluster:				
U.S. Department of Agriculture Programs:				
Illinois State Board of Education:				
Passed through Concept Schools, Inc.:				
School Breakfast - Belmont	10.553	24-4220	-	77,177
School Breakfast - McKinley	10.553	24-4220	-	34,144
Total for School Breakfast Program			-	111,321
National School Lunch - Belmont	10.555	24-4210	-	303,216
National School Lunch - McKinley	10.555	24-4210	-	348,131
National School Lunch BT - Belmont	10.555	24-4210-BT	-	1,274
National School Lunch BT - McKinley	10.555	24-4210-BT	-	1,982
Commodities - Belmont (noncash)	10.555	2024	-	14,398
Commodities - McKinley (noncash)	10.555	2024	-	14,469
Total for National School Lunch Program			-	683,470
U.S. Department of Defense Programs:				
Illinois State Board of Education:				
Passed through Concept Schools, Inc.:				
Fresh Fruit & Vegetables - Belmont (noncash)	10.555	2024	-	2,955
Fresh Fruit & Vegetables - McKinley (noncash)	10.555	2024	-	2,970
Total for Fresh Fruit and Vegetables Program			-	5,925
Total Child Nutrition Cluster			-	800,716

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CONCEPT SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Education Stabilization Fund:				
U.S. Department of Education Programs:				
Illinois State Board of Education:				
COVID-19 - Elementary and Secondary School Emergency Relief Grant - Digital Equity - Belmont	84.425D	24-4998-D2	\$ -	\$ 1,235
COVID-19 - Elementary and Secondary School Emergency Relief Grant - Digital Equity - McKinley	84.425D	24-4998-D2	-	441
COVID-19 - Early Childhood - Governor's Emergency Relief Grant - McKinley	84.425D	24-4998-FG	-	1,223
COVID-19 - Elementary and Secondary School Emergency Relief Grant - McKinley	84.425D	23-4998-E2	-	33,005
COVID-19 - American Rescue Plan - Elevating Educators Bilingual - McKinley	84.425U	23-4998-RB	-	3,760
COVID-19 - American Rescue Plan - Community Partnership Grant - Belmont	84.425U	24-4998-CP	-	65,284
COVID-19 - American Rescue Plan - Community Partnership Grant - McKinley	84.425U	24-4998-CP	-	70,642
COVID-19 - American Rescue Plan - Community Partnership Grant - Belmont	84.425U	23-4998-C3	-	311,471
COVID-19 - American Rescue Plan - Community Partnership Grant - McKinley	84.425U	23-4998-C3	-	292,455
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Grant - Belmont	84.425U	24-4998-E3	-	869,257
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Grant - McKinley	84.425U	24-4998-E3	-	1,162,799
Chicago Public Schools:				
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Grant - Freedom School Grant - Southwest	84.425U	S425D210041	-	117,882
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Grant - Southwest	84.425U	S425D210041	-	666,889
Total for Education Stabilization Fund			-	3,596,343

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CONCEPT SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education Programs:				
Illinois State Board of Education:				
Title I - Low Income - Belmont	84.010A	24-4300	\$ -	\$ 432,963
Title I - Low Income - McKinley	84.010A	24-4300	-	721,636
Chicago Public Schools:				
Title I - Low Income - Southw est	84.010A	S010A230013	-	494,509
Title I - IL Empow er - Southw est	84.010A	S010A230013	-	232,004
Total for Title I - Low Income			-	1,881,112
Illinois State Board of Education:				
Title II - Effective Instruction - Belmont	84.367A	24-4932	-	55,213
Title II - Effective Instruction - McKinley	84.367A	24-4932	-	101,000
Chicago Public Schools:				
Title II - Effective Instruction - Southw est	84.367A	S367A230012	-	21,889
Total for Title II - Effective Instruction			-	178,102
Illinois State Board of Education:				
Title III - Language - Belmont	84.365A	24-4909	-	4,709
Title III - Language - McKinley	84.365A	24-4909	-	7,347
Chicago Public Schools:				
Title III - Language - Southw est	84.365A	S365A230013	-	13,549
Total for Title III - Language			-	25,605
Chicago Public Schools:				
Title IV - Student Support - Southw est	84.424A	S424A230014	-	5,543
Illinois Netw ork of Charter Schools				
Charter School Grant - Belmont	84.282A	24-4960	-	1,163,474
Total U.S. Department of Education Programs			-	3,253,836
Total Expenditures of Federal Aw ards			\$ -	\$ 8,018,065

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CONCEPT SCHOOLS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Horizon Science Academy - McKinley Park Charter School, Horizon Science Academy - Belmont Charter School, and Horizon Science Academy - Southwest Charter School, all of which are subsidiaries of Concept Schools, Inc. (collectively, Concept) for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Concept, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Concept.

Note 2—Summary of significant accounting policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3—Indirect facilities and administration costs

Concept has elected not to use the 10% de minimis cost rate.

Note 4—Nonmonetary assistance

Noncash assistance expended by Concept totaled \$34,792 for commodities passed through the Illinois State Board of Education for the year ended June 30, 2024.

Note 5—Insurance and loans or loan guarantees

During the year ended June 30, 2024, Concept did not pay for any insurance coverage with federal funds and there were no loans, loan guarantees, or other federal assistance for the purpose of administering federal programs.

CONCEPT SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Section I—Summary of Auditor’s results

Financial Statement Section

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency(ies) identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards Section

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency(ies) identified not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

Federal Assistance Listing Number	Name of Federal Program or Cluster
10.553	Child Nutrition Cluster: School Breakfast Program
10.555	National School Lunch Program
84.282A	Charter School Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

CONCEPT SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Section II—Financial statement findings

None noted.

Section III—Federal award findings and questioned costs

None noted.

CONCEPT SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

Schedule of prior audit findings

None noted.