

LIONHEART CLASSICAL ACADEMY

FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lionheart Classical Academy
Peterborough, New Hampshire 03458

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities of Lionheart Classical Academy, as of and for the year ended June 30, 2023 and the eight month period ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lionheart Classical Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities of Lionheart Classical Academy, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lionheart Classical Academy 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 opinions.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the prior year financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lionheart Classical Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 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, 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 Lionheart Classical Academy'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 Lionheart Classical Academy'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 and budgetary comparison information on pages 17-18 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 on our consideration of Lionheart Classical Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements on pages 19-20. The purpose of the 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 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 Lionheart Classical Academy's internal control over financial reporting and compliance.

Nathan Wechsler & Company

Concord, New Hampshire
November 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIONHEART CLASSICAL ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the financial position of Lionheart Classical Academy ("the School") provides an overview of the activities for the year ended June 30, 2023. This Management's Discussion and Analysis is unaudited and is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts.

FINANCIAL HIGHLIGHTS

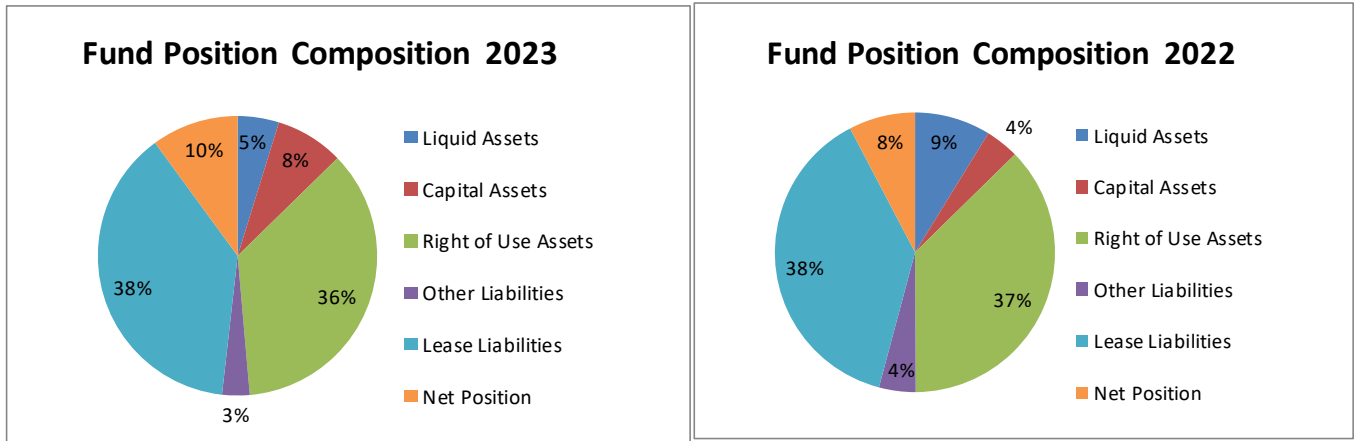
- Fiscal year 2023 (July 01, 2022 through June 30, 2023) was the second period of operations for the School and the first year with a student population.
- The School received \$7,338 per student in State equitable aid for each attending student directly from the State of New Hampshire.
- The School received \$551,669 in federal grants under the Charter School Program grant.
- The student population averaged 183 students for the academic year ending June 30, 2023. The current charter for the 2023-2024 school year allows up to 297 students.
- The School raised \$1,166,456 in cash contributions and received \$37,893 of in-kind goods and service contributions.
- The School was approved for a three-year reimbursable grant in 2022 for approximately \$1,500,000. The School has requested reimbursement for \$989,042 through fiscal year 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

The School herewith present their basic financial statements for the year ended June 30, 2023. The basic financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board which establishes generally accepted accounting principles for state and local governments. The School's basic financial statements are comprised of two components: 1) comprehensive financial statements and 2) notes to the financial statements. The comprehensive financial statements presented are the Statement of Fund Net Position, the Statement of Activities and Changes in Fund Net Position and the Statement of Cash Flows. The notes provide additional information and disclosures that are essential to a complete understanding of the data provided in the financial statements.

Statement of Fund Net Position

The Statement of Fund Net Position reflects all the School's assets and liabilities using the accrual basis of accounting and represents the financial position as of the conclusion of the fiscal year. Fund net position is the difference between the School's total assets and total liabilities. Measuring fund net position is one way to gauge the School's financial condition.



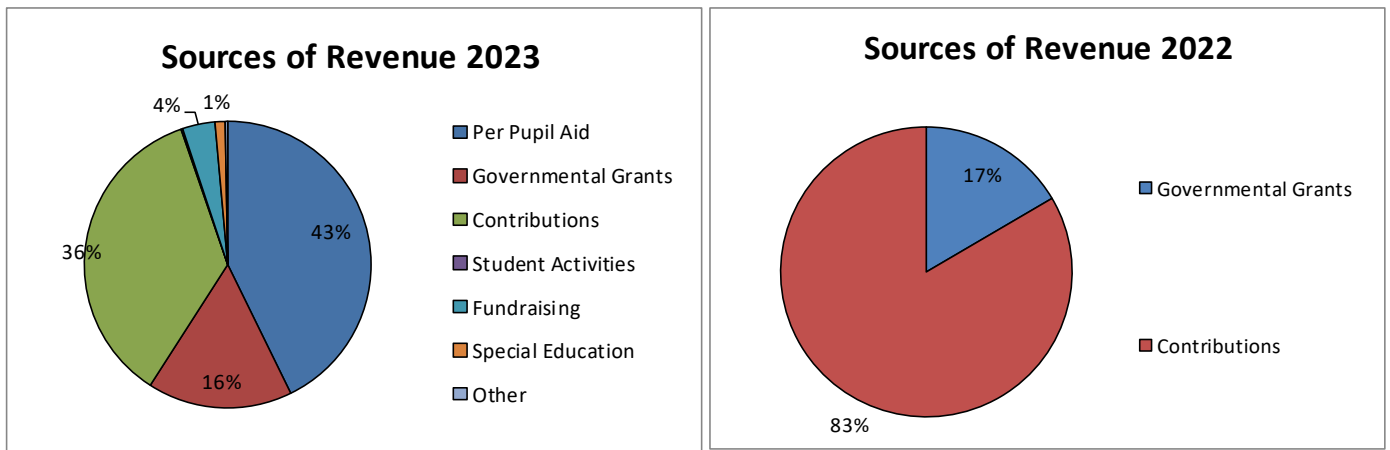
Fiscal Year 2023 Compared to 2022

Cash amounts to approximately 56% of current assets held by the School. Current assets decreased by approximately \$960,000, which is primarily a result of decreasing contributions and grants receivable. Liabilities decreased by approximately \$210,000, which is primarily a result of a decrease in accounts payable related to construction costs in the prior year. Unrestricted net fund position increased by approximately \$1,307,000, which is primarily a result of increased funding due to State Aid.

The School’s capital asset policy is to capitalize items or groups of items that cost \$1,000 or more and have a useful life when acquired of more than one year.

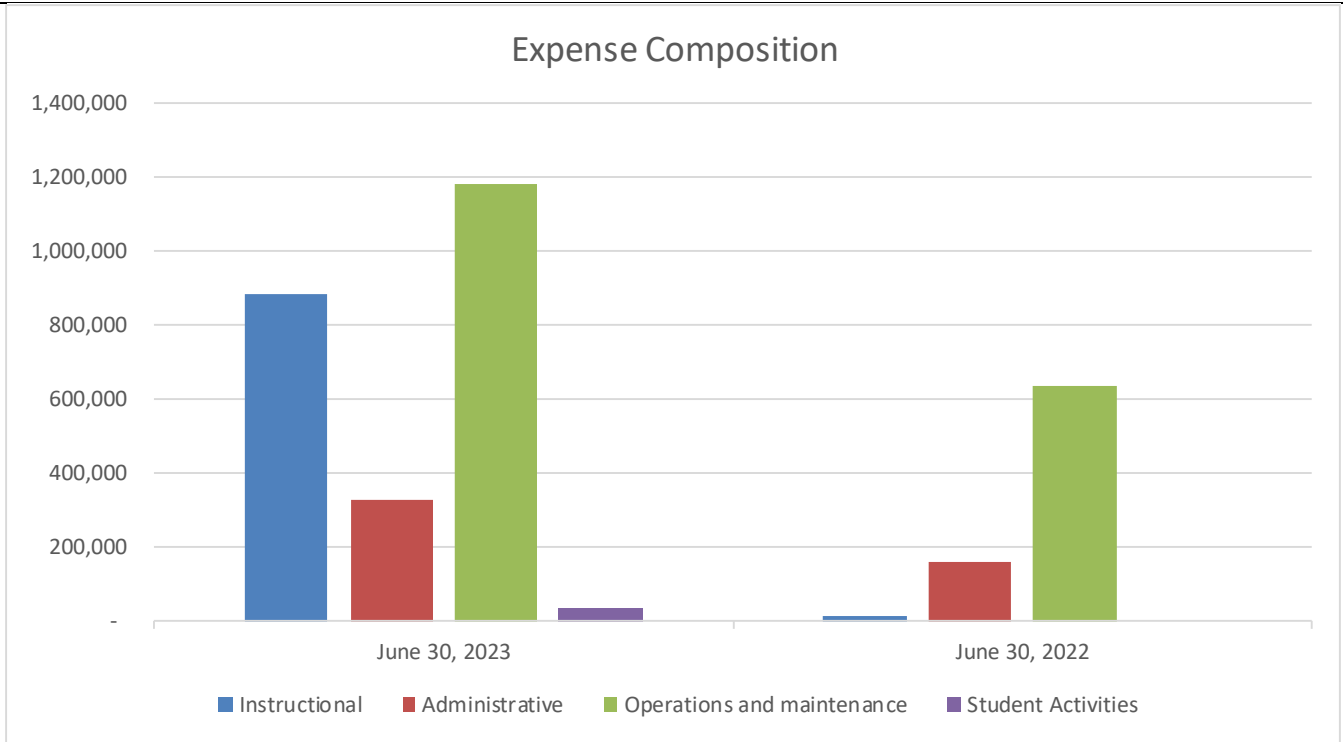
Statement of Activities and Changes in Fund Net Position

The Statement of Activities and Changes in Fund Net Position identifies all of the School's revenues and expenses and measures the results of its operations during the fiscal year. All revenues and expenses are included when earned or incurred, regardless of when cash is received or paid. Revenues are separated into functional operating categories.



LIONHEART CLASSICAL ACADEMY

MANAGEMENT’S DISCUSSION AND ANALYSIS



Fiscal Year 2023 Compared to 2022

The total per-pupil aid received from the state for fiscal year 2023 amounted to \$1,444,625. This was the School’s first year with students so no aid was received in the prior year. All expenses for the current year increased due to the School being open to students for the first year.

NEXT YEAR’S OPERATIONS

Per pupil state aid is expected to increase to \$9,000 per student and enrollment is expected to be approximately 274 students (K-6), the charter allows for a maximum of 297 students.

REQUEST FOR INFORMATION

This financial report is designed to present the user with a general overview of the School’s finances and to demonstrate the School’s accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lionheart Classical Academy, 10 Sharon Road, Peterborough, NH 03458.

BASIC FINANCIAL STATEMENTS

LIONHEART CLASSICAL ACADEMY

STATEMENTS OF FUND NET POSITION
June 30, 2023 and 2022

		ASSETS	
		2023	2022
CURRENT ASSETS			
Cash		\$ 648,503	\$ 538,350
Grants receivable		204,876	485,148
Contributions receivable		275,000	1,000,000
Prepaid expenses		30,147	93,031
<i>Total current assets</i>		1,158,526	2,116,529
CAPITAL ASSETS			
Building improvements		1,523,369	2,250
Furniture and fixtures		459,189	-
Land improvements		17,450	-
Construction in progress		94,525	924,823
Less accumulated depreciation		(178,061)	(94)
<i>Total capital assets, net</i>		1,916,472	926,979
OTHER ASSETS			
Security deposits		34,270	39,270
Investments		644,000	-
Right of use asset, net of accumulated amortization		8,611,821	8,970,647
Lease assets - SBITAs, net of accumulated amortization		59,392	-
<i>Total other assets</i>		9,349,483	9,009,917
Total assets		\$ 12,424,481	\$ 12,053,425
LIABILITIES AND FUND NET POSITION			
CURRENT LIABILITIES			
Line of credit		\$ 200,000	\$ -
Accounts payable		120,451	682,620
Interest payable		433,943	315,066
Deferred revenue		-	6,000
Accrued expenses		9,995	12,486
<i>Total current liabilities</i>		764,389	1,016,172
LONG-TERM LIABILITIES			
Lease liabilities- SBITAs		41,778	-
Long-term lease liability, less current maturities		9,196,130	9,196,130
<i>Total long-term liabilities</i>		9,237,908	9,196,130
<i>Total liabilities</i>		10,002,297	10,212,302
COMMITMENTS (See Notes)			
FUND NET POSITION			
Net investment in capital assets		1,916,472	926,979
Unrestricted		230,712	(87,556)
Restricted		275,000	1,001,700
<i>Total fund net position</i>		2,422,184	1,841,123
Total liabilities and fund net position		\$ 12,424,481	\$ 12,053,425

LIONHEART CLASSICAL ACADEMY

STATEMENTS OF ACTIVITIES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2023 and Eight Month Period Ended June 30, 2022

	2023	2022
UNRESTRICTED:		
REVENUES AND SUPPORT		
State per pupil aid	\$ 1,444,625	\$ -
Governmental grants	551,669	437,373
Special education	38,738	-
Student activities	6,487	-
Contributions (Note 9)	1,161,621	2,051,902
In-kind contributions	37,893	155,756
Fundraising	124,192	-
Other income	9,340	-
	<hr/>	<hr/>
<i>Total revenues and support</i>	3,374,565	2,645,031
	<hr/>	<hr/>
Funds released from restrictions for fulfillment of program restrictions	731,535	-
	<hr/>	<hr/>
<i>Total unrestricted revenues, support and funds released from restrictions</i>	4,106,100	2,645,031
	<hr/>	<hr/>
EXPENSES		
Instructional	884,596	13,320
Student activities	34,466	-
Administrative	325,832	157,461
Operations and maintenance (Note 9)	1,178,445	634,827
	<hr/>	<hr/>
<i>Total expenses</i>	2,423,339	805,608
	<hr/>	<hr/>
NON-OPERATING ACTIVITIES		
Unrealized loss on stock held for sale	375,000	-
	<hr/>	<hr/>
<i>Total increase in unrestricted fund net position</i>	1,307,761	1,839,423
	<hr/>	<hr/>
RESTRICTED:		
Restricted contributions	4,835	1,700
Funds released from restriction for fulfillment of program restrictions	(731,535)	-
	<hr/>	<hr/>
<i>Increase (decrease) in restricted fund net position</i>	(726,700)	1,700
	<hr/>	<hr/>
<i>Total increase in fund net position</i>	581,061	1,841,123
	<hr/>	<hr/>
Fund net position, beginning of year	1,841,123	-
	<hr/>	<hr/>
<i>Fund net position, end of year</i>	\$ 2,422,184	\$ 1,841,123
	<hr/> <hr/>	<hr/> <hr/>

LIONHEART CLASSICAL ACADEMY

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2023 and Eight Month Period Ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for per pupil aid	\$ 1,218,448	\$ -
Cash received for contributions and grants	1,843,574	1,271,006
Cash received for student activities income	6,487	-
Cash received for other income	172,270	-
Cash paid to suppliers, employees, and others	(2,263,166)	194,417
<i>Net cash provided by operating activities</i>	977,613	1,465,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Donation of investments	100,000	-
Purchases of capital assets	(1,167,460)	(927,073)
<i>Net cash provided by operating activities</i>	(1,067,460)	(927,073)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from line of credit	200,000	-
<i>Net increase in cash</i>	110,153	538,350
Cash, beginning of period	538,350	-
<i>Cash, end of period</i>	\$ 648,503	\$ 538,350
RECONCILIATION OF CHANGE IN FUND NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in fund net position	\$ 581,061	\$ 1,841,123
Adjustments to reconcile increase in fund net position to net cash provided by operating activities:		
Depreciation	177,967	94
Unrealized loss on investments	375,000	-
Amortization of right of use assets	382,990	224,983
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	280,272	(485,148)
(Increase) in contributions receivable	(375,000)	(1,000,000)
(Increase) decrease in prepaid expenses	21,106	(93,031)
(Increase) decrease in security deposits	5,000	(39,270)
Increase (decrease) in accounts payable and accrued expenses	(583,660)	695,606
Increase in interest payable	118,877	315,066
Increase (decrease) in deferred revenue	(6,000)	6,000
<i>Net cash provided by operating activities</i>	\$ 977,613	\$ 1,465,423
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING		
Right of use asset	\$ -	\$ 9,228,893
Less: lease liabilities	-	(9,228,893)
<i>Cash paid for right of use asset</i>	\$ -	\$ -
Donation of investments	\$ 1,000,000	\$ -
Less: decrease in contributions receivable	(900,000)	-
<i>Cash received for donations</i>	\$ 100,000	\$ -

LIONHEART CLASSICAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization

Lionheart Classical Academy ("the School") was established in November 2021 after receiving its charter from the State of New Hampshire Department of Education under Chapter 194: B Charter Schools and Open Enrollment Act of the State of New Hampshire's Revised Statutes. The charter is for a five-year period and is subject to renewal at the discretion of the State of New Hampshire Department of Education. The School has all the rights and privileges of other public schools and operates as a public school.

The School's mission is: *To TRAIN the minds and INSPIRE the hearts of our students through a CLASSICAL LIBERAL ARTS AND SCIENCES education that supports academic achievement, virtuous living, and responsible citizenship.*

The School's vision is: *To be a nationally regarded K-12 classical school and serve as a local, regional, and national leader for the growth and promotion of a content-rich, knowledge-based curriculum for students.*

Note 2. Significant Accounting Policies

The accounting policies of the School are in accordance with accounting principles generally accepted in the United States as applicable to governmental units. The following is a summary of the School's significant accounting policies.

Financial statement presentation: The School, in accordance with *Governmental Accounting Standards Board (GASB) Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, is considered a special purpose governmental entity (Cod. Sec. SP20.105) that engages in only governmental type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the governmental fund.

Criteria for determining if other entities are potential component units which should be reported within the School's financial statements are identified and described in the GASB's *Codification of Government Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Net position: Net position in the government-wide financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

The School's restricted funds are composed of amounts for various student activities programs.

LIONHEART CLASSICAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

Fund balance: The School adheres to GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under GASB 54, the School is required to report information regarding its financial position and activities in a hierarchy based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources reported in the funds.

Gifts and contributions: The School accounts for contributions received in accordance with the GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with GASB 33, contributions received are recorded as restricted or unrestricted depending on the existence or nature of any donor restrictions.

The School has adopted the policy of reporting contributions restricted by the donor as increases in unrestricted funds if the restrictions expire in the reporting period in which the revenue is recognized.

Included in support are gifts in-kind which are valued at fair value at the date of the gift.

Basis of accounting: The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly, revenue is recognized when earned and measurable, without regard to availability; capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

Tax status: The School was established under a charter granted by the State of New Hampshire Department of Education and operates as part of the State of New Hampshire and is therefore generally exempt from income taxes under Section 115. The School is also exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is required to file Form 990 annually.

The School has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. Accordingly, management has evaluated the School's tax positions and concluded the School had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements.

Estimates and assumptions: The preparation of financial statements in accordance with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Grants and contributions receivable: Grants and contributions receivable are recorded when all requirements of the grant or contribution are met. All grants are reimbursable grants based on expenses incurred by the end of the period. Grants and contributions receivable are presented net of an allowance for doubtful accounts. Grants and contributions receivable are written off when deemed uncollectible. At June 30, 2023 and 2022, no allowance for doubtful accounts was deemed necessary, as management believes all such receivables will be collected. There were no actual bad debts for the year ended June 30, 2023 and the eight month period ended June 30, 2022.

Capital assets: Capital assets are recorded at cost if purchased or at fair value at the date of donation. Furniture and equipment or building improvements purchased with a cost or value greater than \$1,000 are capitalized. Depreciation is computed on the straight-line basis using the estimated useful lives of 3-7 years for furniture and equipment and 5-39.5 years for building and land improvements.

LIONHEART CLASSICAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building and land improvements	\$ 2,250	\$ 1,538,569	\$ -	\$ 1,540,819
Equipment and furnishings	-	459,190	-	459,190
Construction in progress	924,823	-	830,299	94,524
<i>Total capital assets</i>	<u>927,073</u>	<u>1,997,759</u>	<u>830,299</u>	<u>2,094,533</u>
Less accumulated depreciation for:				
Building and land improvements	94	64,185	-	64,279
Equipment and furnishings	-	113,782	-	113,782
<i>Total accumulated depreciation</i>	<u>94</u>	<u>177,967</u>	<u>-</u>	<u>178,061</u>
<i>Total capital assets, net</i>	<u>\$ 926,979</u>	<u>\$ 1,819,792</u>	<u>\$ 830,299</u>	<u>\$ 1,916,472</u>

Capital asset activity for the eight month period ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building and land improvements	\$ -	\$ 2,250	\$ -	\$ 2,250
Furniture and equipment	-	924,823	-	924,823
<i>Total capital assets</i>	<u>-</u>	<u>927,073</u>	<u>-</u>	<u>927,073</u>
Less accumulated depreciation for:				
Building improvements	-	94	-	94
<i>Total accumulated depreciation</i>	<u>-</u>	<u>94</u>	<u>-</u>	<u>94</u>
<i>Total capital assets, net</i>	<u>\$ -</u>	<u>\$ 926,979</u>	<u>\$ -</u>	<u>\$ 926,979</u>

Depreciation expense for the year ended June 30, 2023 and the eight month period ended June 30, 2022 amounted to \$177,967 and 94, respectively, and was charged to operations and maintenance on the accompanying statements of activities and changes in fund net position.

Deferred revenue: Deferred revenue results from funds received in the current fiscal year for an auction fundraiser expected to take place in the subsequent year. Revenue will be reflected in the period in which this fundraiser is held.

Advertising costs: The School expenses all advertising costs as incurred. Advertising and recruitment expense amounted to \$1,122 and \$3,006 for the year June 30, 2023 and the eight month period ended June 30, 2022, respectively.

LIONHEART CLASSICAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

New pronouncement: In May 2020, GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*, which was effective for the School on July 1, 2022. Under GASB 96, subscription-based information technology arrangements need to be disclosed on the face of the financial statements. See Note 4 for additional information.

Note 3. Building Lease

During the year ended June 30, 2022, the School entered into a building lease for 15 years and 10 months with the option to renew for an additional 10 years in Peterborough, NH. Commencing on October 1, 2021, the lease required community area maintenance (CAM) payments for the first 11 months of the lease in the amount of \$6,240 a month with no base rent. Effective September 1, 2022, the lease requires base rent to be paid in addition to the CAM charges. Base rent is calculated on the square footage the School is using during that respective year. For the lease year starting September 1, 2022, the base rent is \$24,917 a month. This base amount will increase by 3% each subsequent year afterwards. For the lease years starting September 1, 2024, September 1, 2025, and September 1, 2026, the premise occupied by the School will increase, causing the monthly rent and CAM payments to increase.

The School anticipates staying in the building for the entirety of the lease agreement as well as the additional option to renew for 10 years.

	June 30, 2023	June 30, 2022
Lease expense		
Amortization expense by class of underlying asset		
Building	\$ 358,826	\$ 269,119
Interest on lease liabilities	430,444	315,066
<i>Total</i>	\$ 789,270	\$ 584,185

At June 30, 2023, the right of use asset and accumulated amortization are as follows:

	Beginning of Year	Additions	End of Year
Lease Assets			
Building	\$ 9,239,766	\$ -	\$ 9,239,766
Less: Accumulated Amortization			
Building	(269,119)	(358,826)	(627,945)
Total Right of Use Asset, net	\$ 8,970,647	\$ (358,826)	\$ 8,611,821
Lease Liabilities	\$ 9,196,130	\$ -	\$ 9,196,130

Total amortization expense for the year ended June 30, 2023 amounted to \$358,826.

LIONHEART CLASSICAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

At June 30, 2022, the right of use asset and accumulated amortization are as follows:

Lease Assets	Beginning of Year	Additions	End of Year
Building	\$ -	\$ 9,239,766	\$ 9,239,766
Less: Accumulated Amortization			
Building	-	(269,119)	(269,119)
<i>Total Right of Use Asset, net</i>	<u>\$ -</u>	<u>\$ 8,970,647</u>	<u>\$ 8,970,647</u>
Lease Liabilities	<u>\$ -</u>	<u>\$ 9,196,130</u>	<u>\$ 9,196,130</u>

Total amortization expense for the eight month period ended June 30, 2022 amounted to \$267,074.

At June 30, 2023, the future maturity of the lease liability is as follows:

Maturity Analysis	Principal	Interest	Total Payments
2024	\$ -	\$ 381,355	\$ 381,355
2025	-	428,250	428,250
2026	-	484,791	484,791
2027	-	557,081	557,081
2028	-	581,290	581,290
2029 - 2033	1,030,994	2,099,172	3,130,165
2034 - 2038	1,906,490	1,642,793	3,549,283
2039 - 2043	2,940,943	1,104,573	4,045,516
2044 - 2048	3,317,703	319,088	3,636,790
<i>Total Future Payments</i>	<u>\$ 9,196,130</u>	<u>\$ 7,598,393</u>	<u>\$ 16,794,521</u>

Total interest expense for the year ended June 30, 2023 and the eight month period ended June 30, 2022 amounted to \$430,444 and \$315,339, respectively.

Note 4. SBITAs

During the year ended June 30, 2023, the School entered into four subscription based information technology agreements. The agreements are between three and five years with monthly payments ranging between \$100 and \$262.

LIONHEART CLASSICAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

At June 30, 2023 the SBITAs were as follows:

	Year Ending June 30, 2023				
Lease expense					
Amortization expense by class of underlying asset SBITA - GASB 96	\$	24,164			
	Beginning of Year		Additions	Subtractions	End of Year
Lease Assets					
SBITA - GASB 96	\$	83,555	\$ -	\$ -	\$ 83,555
Less: Accumulated Amortization					
SBITA - GASB 96		-	(24,164)	-	(24,163)
<i>Total Lease Assets, net</i>	\$	83,555	\$ (24,164)	\$ -	59,392
Lease Liabilities	\$	41,778	\$ -	\$ -	41,778

Note 5. Investments

During the year ended June 30, 2022, the School received a pledge for \$1,000,000 to be fulfilled by shares of stock in Lionheart III Corporation, a publicly traded stock on the NASDAQ (Note 9). This contribution gave naming rights for the School. In December of the current year, the School received 100,000 shares of Lionheart III Corporation stock to fulfill the pledge. The stock is being held until the shares can be sold. During the holding period ending June 30, 2023, the stock value decreased to a value of \$644,000. As a condition of the original pledge, if the School could not sell the stock for the full \$1,000,000, the donor agreed to make an additional contribution to make the School whole. As a result, a pledge receivable for this loss in value has been recorded at June 30, 2023.

Note 6. Concentrations

During the year ended June 30, 2023 and the eight month period ended June 30, 2022, \$1,996,294 or 59% and \$437,373 or 96% of the School's revenues were provided by the State of New Hampshire, respectively.

During the year ended June 30, 2023 and the eight month period ended June 30, 2022, the School received contributions from the Founders Academy Foundation amounting to \$476,553 or 54% and \$1,049,052 or 64% of the School's revenues, respectively.

The School maintains cash accounts with a local financial institution. At times during the year ended June 30, 2023, the School maintained cash balances in excess of federally insured limits. At June 30, 2023 amounts on deposit in excess of FDIC limits amounted to approximately \$399,000.

LIONHEART CLASSICAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

Note 7. Contributed Equipment, Materials, and Services

The School records various types of in-kind contributions. Contributed services are recognized at fair value if services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

The amounts reflected in the accompanying financial statements as contributions are offset by like amounts included in expenses or additions to property and equipment.

The School received the following in-kind contributions:

	2023	2022
Contributed professional services	\$ 8,278	\$ 31,890
Contributed rental assistance	6,240	111,076
Contributed supplies	-	400
Contributed shares of stock	19,000	-
Contributed tangible assets	4,375	12,390
<i>Total</i>	<u><u>\$ 37,893</u></u>	<u><u>\$ 155,756</u></u>

Note 8. Line of Credit

During the year ended June 30, 2022, the School opened a working capital line of credit with NH HEFA with maximum borrowings of \$200,000, bearing interest at a fixed rate of 2.25%. At June 30, 2023 and 2022 amounts outstanding related to this working capital line of credit were \$200,000 and \$-, respectively.

Note 9. Prior Period Adjustments

During the year ended June 30, 2023, it was determined that the change in net fund position was understated by \$986,204 for the eight-month period ended June 30, 2022. The understatement was related to a pledge receivable not identified in the prior year and to correct the recording of the right of use asset and lease liability. These adjustments resulted in an increase of pledge receivable of \$1,000,000, an increase of right of use asset of \$8,828, and an increase of \$291,942 to the long-term lease liability. The prior year amounts presented have been updated for these changes.

Note 10. Subsequent Events

The School has evaluated subsequent events through November 14, 2023 the date which the financial statements were issued and have not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended June 30, 2023.

REQUIRED SUPPLEMENTAL INFORMATION

LIONHEART CLASSICAL ACADEMY

STATEMENT OF BUDGETARY COMPARISON

Year Ended June 30, 2023

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)	
REVENUES:				
State per pupil aid	\$ 1,489,489	\$ 1,444,625	\$ (44,864)	(1)
Grants	716,852	551,669	(165,183)	(2)
Contributions	265,000	1,204,349	939,349	(3)
Student activities	-	6,487	6,487	
Special education	87,372	38,738	(48,634)	(4)
Fundraising	130,000	124,192	(5,808)	
Unrealized loss on investments	-	(375,000)	(375,000)	(5)
Other miscellaneous income	-	9,340	9,340	(5)
<i>Total income</i>	<u>2,688,713</u>	<u>3,004,400</u>	<u>315,687</u>	
EXPENDITURES:				
Salaries	957,800	902,062	55,738	(6)
Employee benefits	112,777	55,299	57,478	(6)
Payroll taxes	73,274	81,995	(8,721)	
Rent, related utilities, and building expenses	111,900	156,177	(44,277)	(7)
Supplies and textbooks	112,125	71,301	40,824	(8)
Equipment	135,100	15,580	119,520	(9)
Professional development	5,000	2,596	2,404	
Professional fees	26,000	37,280	(11,280)	(10)
Outside services	86,690	73,591	13,099	(11)
Student activities	-	1,220	(1,220)	
Depreciation expense	21,667	177,967	(156,300)	(12)
Right of use asset	344,300	813,433	(469,133)	(13)
Fundraising	-	28,147	(28,147)	(5)
Miscellaneous	7,000	6,691	309	
<i>Total expenditures</i>	<u>1,993,633</u>	<u>2,423,339</u>	<u>(429,706)</u>	
<i>Change in fund net position</i>	<u>\$ 695,080</u>	<u>\$ 581,061</u>	<u>\$ (114,019)</u>	

Explanation of variances:

- (1) The School budgeted more students than attended.
- (2) The School budgeted to spend more on the reimbursable grant than they actually did in the current year.
- (3) More contributions from The Founders Foundation were received than budgeted.
- (4) Budget was based on more students receiving special education than needed.
- (5) Items not budgeted for in the current year.
- (6) Salaries were based on more teachers than needed.
- (7) Utilities were higher than budgeted.
- (8) Less supplies and textbooks were need in the current year than budgeted for.
- (9) Equipment budgeted for was capitalized in the current year.
- (10) Professional fees for the agreed upon procedures related to grant were not budgeted for. Legal fees budgeted for were higher than expected.
- (11) Contracted services were less than budgeted.
- (12) Depreciation expense based on prior year expense and does not include assets in service in the current year.
- (13) Right of use asset interest expense not budgeted for in the current year.

LIONHEART CLASSICAL ACADEMY

STATEMENT OF BUDGETARY COMPARISON
 Eight Month Period Ended June 30, 2022

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES:			
Grants	\$ 580,455	\$ 437,373	\$ (143,082) (1)
Contributions	600,000	2,209,358	1,609,358 (2)
<i>Total income</i>	1,180,455	2,646,731	1,466,276
EXPENDITURES:			
Salaries	125,833	74,519	51,314 (3)
Employee benefits	4,423	108	4,315
Payroll taxes	9,627	5,592	4,035
Rent, related utilities, and building expenses	64,440	50,420	14,020 (4)
Supplies and textbooks	2,000	12,809	(10,809)
Equipment	53,500	84	53,416 (5)
Professional development	2,000	1,085	915
Professional fees	30,000	38,431	(8,431)
Outside services	31,292	34,183	(2,891)
Depreciation expense	-	94	(94)
Right of use asset	-	582,413	(582,413) (6)
Miscellaneous	5,340	5,870	(530)
<i>Total expenditures</i>	328,455	805,608	(477,153)
<i>Change in fund net position</i>	\$ 852,000	\$ 1,841,123	\$ 989,123

Explanation of variances:

- (1) The School budgeted to spend more on the reimbursable grant than they actually did in the current year.
- (2) The School was not expecting as many donations as were collected during the current year.
- (3) Budget included salaries for teachers and other positions for the first year but those positions were not needed until the students start school.
- (4) Utility costs were not as much as budgeted and certain repairs and maintenance items that were capitalized.
- (5) The budget included new equipment but that equipment was capitalized during the current year.
- (6) The School did not budget for the change in the new lease standard.



**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**

Independent Auditor's Report

Board of Directors
Lionheart Classical Academy
Peterborough, New Hampshire 03458

We have audited, 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, the financial statements of the governmental activities of Lionheart Classical Academy ("the School") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 14, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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.

We consider the following deficiency in internal controls to be a material weakness:

1) Financial Statement Preparation

The School's management has demonstrated the ability to review the financial statements and has demonstrated an understanding of the footnote disclosures that are already included in the financial statements. However, we believe that management does not have the ability to adequately implement the new lease accounting standard under GASB 87 along with required disclosures. We believe this results in a deficiency which would potentially increase the likelihood of material misstatement in the financial statements. The School also had several material audit adjustments that were not identified by current controls.

Management's response: Due to the complexities and constantly changing reporting standards with respect to audited financial reports, management and the Board have chosen to engage a qualified CPA firm to advise us on the proper format for our annual reports rather than devote scarce staff resources toward maintaining our knowledge of the most current standards. We expect that our auditors will keep us informed of changes that may require us to modify our internal procedures. This has been viewed as an appropriate use of limited personnel resources in light of the minimal risks involved for this organization.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nathan Wechsler & Company
Professional Association