

**THE LABORATORY SCHOOL OF
COMMUNICATION AND LANGUAGES
CHARTER SCHOOL**

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

For the year ended June 30, 2024



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INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
The Laboratory School of Communication
and Languages Charter School
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of The Laboratory School of Communication and Languages Charter School ("the School"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the School, as of June 30, 2024, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in *the Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School 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 Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis (pages 5-10), Budgetary Comparison Schedule (pages 36-38), Schedule of the School's Proportionate Share of the Net Pension Liability (page 39), Schedule of the School's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability (page 41), and the Schedule of the School's Pension and OPEB Contributions (pages 40 and 42) 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards ("the Schedule"), 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic 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 December 20, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over



financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Milligan & Company, LLC

Philadelphia, Pennsylvania
December 20, 2024



**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2024**

The Board of Trustees of The Laboratory School of Communication and Languages Charter School (“the School”) offers readers of the School’s financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the School’s financial statements.

Financial Highlights

- Total governmental activities revenues, as reported on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund, for the year ended June 30, 2024 were \$10,528,043, which consisted of \$6,263,395 from local educational agency funding, \$4,112,365 from federal grants, \$117,202 from state funding sources, and \$35,081 from other sources. This revenue represents a decrease of \$302,546 from fiscal year 2023, not including other financing sources, due to decreased enrollment.
- At the close of the current fiscal year, the School reports an ending governmental fund balance of \$1,004,861. The decrease in fund balance is a result of \$759,689 excess of expenditures over revenues for the year ended June 30, 2024.
- At the close of the current fiscal year, the School reports ending net position of (\$1,626,738). This net position balance represents a decrease in net position of \$198,711 for the year ended June 30, 2024. In addition, the net position balance includes the pension plan activity and year-end balances for the GASB 68, *Accounting and Financial Reporting for Pensions*, for the School’s non-employer pension plan called Public School Employees’ Retirement System (“PSERS”). As of June 30, 2024, the School has recorded a liability of its unfunded portion of PSERS and OPEB of \$1,528,000, deferred outflows of \$232,337, and deferred inflows of \$1,243,000. Please refer to Notes 7 and 8 of this report. The net position balance also includes net right-to-use leased assets of \$5,701,302 and a lease liability of \$6,136,697 related to GASB 87, Leases. Please refer to Note 5 of this report.
- The School’s cash balance at June 30, 2024 was \$917,805 representing a decrease from the prior year of \$60,548.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School’s basic financial statements. The School’s basic financial statements as presented are comprised of four components: Management’s Discussion and Analysis (this section), the basic financial statements, required supplementary information consisting of the budgetary comparison and other information, and reports required under *Government Auditing Standards* and the Uniform Guidance.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2024**

Overview of the Financial Statements, Continued

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. expenditures accrued in one year but paid in subsequent years).

The government-wide financial statements report on the function of the School that is authorized to operate by the School District of Philadelphia. The School is state and federally funded. All funds are passed through and administered by the School District of Philadelphia. The School's function is to provide a Free Appropriate Public Education (F.A.P.E.) in a public school option.

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports the governmental general fund.

All of the School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. Such information is useful in assessing the School's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2024**

Supplementary Information

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Comparison Schedule, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of Proportionate Share of the Net OPEB Liability, and Schedule of OPEB Contributions are required supplementary information presented for purposes of additional analysis and are prepared using a basis consistent with accounting principles generally accepted in the United States of America (“GAAP”) for state reporting requirements.

Single Audit Requirements

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”).

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the School, liabilities and deferred inflows exceeded assets and deferred outflows by \$1,626,738 at June 30, 2024, which is a decrease in total net position of \$198,711 from June 30, 2023. The following table presents condensed financial information for the net position of the School as of June 30, 2024.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2024**

Government-Wide Financial Analysis, Continued

Statements of Net Position		
June 30, 2024 and 2023		
	2024	2023
Assets		
Current	\$ 2,189,224	\$ 2,750,800
Capital assets	350,850	599,700
Right-to-use leased asset, net	5,701,302	6,920,400
Total assets	8,241,376	10,270,900
Deferred outflows of resources	232,337	323,900
Liabilities		
Current and other liabilities	1,192,754	994,700
Net pension and OPEB liability	1,528,000	2,315,000
Lease liability	6,136,697	7,253,100
Total liabilities	8,857,451	10,562,800
Deferred inflows of resources	1,243,000	1,221,000
Net position:		
Net investment in capital assets, net of related debt	350,850	599,700
Unrestricted (deficit)	(1,977,588)	(1,788,700)
Total net position (deficit)	\$ (1,626,738)	\$ (1,189,000)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2024, the School's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,626,738, a decrease of \$198,711 from June 30, 2023. This decrease is primarily due to a decrease in enrollment compared to the previous year.

The School's revenues are predominantly School District of Philadelphia funds, based on the student enrollment the School's total expenses of \$10,726,750 exceeded revenues of \$10,528,043 by \$198,711.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. The largest revenues are receipts from the School District of Philadelphia and are based on the average daily membership of the student population.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2024**

Government-Wide Financial Analysis, Continued

The following table presents condensed financial information for the Statement of Activities to display total revenues for the year.

**Changes in Net Position
Years Ended June 30, 2024 and 2023**

	2024	2023
Program Revenues:		
Operating grants and contributions	\$ 4,229,563	\$ 4,285,000
General Revenues	6,298,476	6,366,800
Total program revenues	10,528,039	10,651,800
Expenditures:		
Basic instruction	4,204,466	3,794,400
Instructional staff services	1,348,208	871,400
Administrative services	1,625,023	1,299,500
Business services	206,458	170,400
Pupil health services	182,046	237,600
Food services	481,685	729,300
Operation and maintenance of plant services	878,105	654,700
Interest expense	192,486	194,300
Depreciation and amortization	1,608,273	1,586,000
Total expenditures	10,726,750	9,537,600
Change in net position	(198,711)	1,114,200
Net deficit - beginning of year	(1,189,000)	(2,303,200)
Restatement - accounting error (Note 1)	(239,027)	-
Net deficit - beginning restated	(1,428,027)	(2,303,200)
Net deficit - end of year	\$ (1,626,738)	\$ (1,189,000)

Governmental Funds

The focus of the School's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2024**

Governmental Funds, Continued

year. In 2024, the School’s governmental fund (the general fund) reported an ending fund balance of \$1,004,861.

Governmental Fund Budgetary Highlights

For the year ended June 30, 2024, the actual revenues were less than budgeted revenues by \$2,216,384, primarily due to realizing less than budgeted revenues from the School District of Philadelphia, as previously noted.

Capital Asset and Debt Administration

As of June 30, 2024, the School's investment in capital assets for its governmental activities totaled \$350,850, net of accumulated depreciation. This investment in capital assets includes leasehold improvements, furniture and equipment.

Additional information on the School's capital assets can be found in Notes 2 and 4 of this report.

Economic Factors and Next Year's Budget and Rates

The School's primary source of revenue, per pupil funding from the School District of Philadelphia, is expected to increase in 2025 by 11 percent (from \$11,520 to \$12,754) per non-special education student and 10 percent (from \$36,277 to \$40,053) per special education student.

Future Events that will Financially Impact the School

The School received Coronavirus Response and Relief Supplemental Appropriations (“CRRSA”) Act and American Rescue Plan (“ARP”) Act COVID-19 related federal funds to provide supplemental support for academic, social, and emotional recovery; and to provide a safe environment related to the effects of the COVID-19 pandemic. The funding expired in stages and the final draws ended in September 2024. The School monitors its dependency on these funds and anticipates preparing to either seek new funding sources for similar programs or end programs when the funds are no longer available. Except as noted, no other significant events are expected to occur that would have a material impact.

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to Dr. Andrea Coleman-Hill, Chief Executive Officer, Laboratory Charter School, 926 West Sedgley Avenue, Philadelphia, PA 19140.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2024**

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	\$	917,805
Due from other governments		1,037,209
Other receivable		59,183
Security deposits		175,027
Total current assets		2,189,224
Non-current assets:		
Capital assets:		
Building improvements		162,829
Furniture and equipment		1,346,063
Accumulated depreciation		(1,158,042)
Total capital assets		350,850
Right-to-use leased asset, net		5,701,302
Total assets		8,241,376
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources, pension related		225,337
Deferred outflows of resources, OPEB related		7,000
Total deferred outflows of resources		232,337
Total assets and deferred outflows of resources	\$	8,473,713
LIABILITIES		
Current liabilities:		
Accounts payable	\$	617,370
Accrued salaries and benefits		566,993
Total current liabilities		1,184,363
Non-current liabilities:		
Accrued compensated absences		8,391
Net pension liability		1,468,000
Net OPEB liability		60,000
Lease liability		6,136,697
Total non-current liabilities		7,673,088
Total liabilities		8,857,451
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources, pension related		1,091,000
Deferred inflows of resources, OPEB related		152,000
Total deferred inflows of resources		1,243,000
Total liabilities and deferred inflows of resources		10,100,451
NET POSITION		
Net investment in capital assets, net of related debt		350,850
Unrestricted (deficit)		(1,977,588)
Total net position (deficit)		(1,626,738)
Total liabilities, deferred inflows of resources, and net position	\$	8,473,713

See the accompanying notes to these financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Basic instruction	\$ 4,204,466	\$ -	\$ 3,682,895	\$ -	\$ (521,571)
Support services:					
Instructional staff services	1,348,208	-	-	-	(1,348,208)
Administrative services	1,625,023	-	-	-	(1,625,023)
Pupil health services	182,046	-	13,239	-	(168,807)
Business services	206,458	-	-	-	(206,458)
Operation and maintenance of plant services	878,105	-	54,174	-	(823,931)
Interest expense	192,486	-	-	-	(192,486)
Unallocated depreciation and amortization expense *	1,608,273	-	-	-	(1,608,273)
Food services	481,685	-	479,255	-	(2,430)
Total government activities	\$ 10,726,750	\$ -	\$ 4,229,563	\$ -	(6,497,187)
General revenues:					
					6,263,395
					12,194
					22,887
					<u>6,298,476</u>
					(198,711)
					(1,189,000)
					(239,027)
					<u>(1,428,027)</u>
					<u>\$ (1,626,738)</u>

* - This amount excludes the depreciation that is included in the direct expenses of the various programs.

See the accompanying notes to these financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2024**

		<u>General Fund Unassigned</u>
ASSETS		
Cash and cash equivalents	\$	917,805
Due from other governments		1,037,209
Other receivable		59,183
Security deposits		<u>175,027</u>
Total assets	\$	<u><u>2,189,224</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued expenses	\$	617,370
Accrued salary and benefits		<u>566,993</u>
Total liabilities		<u>1,184,363</u>
Fund balance		
Unassigned		<u>1,004,861</u>
Total liabilities and fund balance	\$	<u><u>2,189,224</u></u>

See the accompanying notes to these financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE TO
THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balance	\$	1,004,861
<p>Capital assets used in the governmental activities are not current financial resources, and therefore, are not reported in the governmental fund. These assets consist of:</p>		
Building improvements		162,829
Furniture and equipment		1,346,063
Accumulated depreciation		(1,158,042)
Right to use leased assets, net		5,701,302
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources available to satisfy expenditures, and therefore, not reported in the governmental funds.</p>		
		(1,010,663)
Lease liability		(6,136,697)
<p>Some liabilities are not due and payable in the current period, and therefore, are not reported in the funds. Those liabilities consist of:</p>		
Compensated absences		(8,391)
Net pension liability		(1,468,000)
Net OPEB liability		(60,000)
		(1,536,391)
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(1,626,738)</u></u>

See the accompanying notes to these financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

		<u>General Fund Unassigned</u>
Revenues:		
Local sources	\$	6,263,395
Other revenue		35,081
State sources		117,202
Federal sources		<u>4,112,365</u>
Total revenues		10,528,043
Expenditures:		
Instruction		4,325,681
Support services		6,723,024
Capital outlay		<u>124,618</u>
Total expenditures		11,173,323
Other financing sources:		
Proceeds from lease obligations		<u>124,618</u>
Net change in fund balance		(520,662)
Fund balance - beginning as previously reported		1,764,550
Restatement - accounting error (Note 1)		<u>(239,027)</u>
Fund balance - beginning restated		<u>1,525,523</u>
FUND BALANCE - END OF YEAR	\$	<u><u>1,004,861</u></u>

See the accompanying notes to these financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Net change in fund balance - total governmental fund \$ (520,662)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period:

Capital Outlays	15,832
Depreciation expense	(264,686)
Amortization expense	(1,343,587)

The issuance of long-term debt (e.g. notes, lease liability, subscription liability) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction; however, has any effect on net position. This amount is the net effect of these differences.

1,240,981

Long-term liabilities that pertain to governmental funds, including net pension liability, net OPEB liability, deferred outflows, and deferred inflows, are not due and payable in the current period, and therefore, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Position. Balances at year end are:

Pension plan expense	612,411
OPEB expense	<u>61,000</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (198,711)

See the accompanying notes to these financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

1. Nature of Organization and Operations

The Laboratory School of Communication and Languages Charter School (the “School”) is organized as a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School operates a charter school in Philadelphia, Pennsylvania, under an approved charter received from the Philadelphia School District (the "District"), acting pursuant to authority conferred under the Public School Code of 1949, as amended by Act 22 of 1997, the Charter School Law, 24 P.S. Sections 17- 1701-A et. seq. The School's initial operations began on July 1, 1998.

The mission of the School is to provide all students from all backgrounds quality public education that includes equal and equitable access to academics, social-emotional learning, technology, and student agency. The vision is to develop well-rounded students by providing equal and equitable access to quality education in preparing them to lead in society with a positive voice.

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting Policies

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School as a whole. These statements include the financial activities of the School.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Governmental Fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the Governmental Fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues, which are not classified as program revenues, are presented as general revenues of the School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School.

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2. Summary of Significant Accounting Policies, Continued

Fund Financial Statements - The focus of fund financial statements is on major funds rather than reporting funds by type. The School has only one major fund.

The Governmental Fund is accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for the Governmental Fund are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fund Accounting

The School uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Fund

General Fund - The general operating fund of the School and is used to account for all financial resources. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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2. Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include building improvements, furniture, and equipment are reported in the government-wide financial statements. The School defines a capital asset as an asset with an initial, individual cost equal to or greater than \$1,500 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the School are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building improvements	15
Furniture and equipment	5-20

Lease Assets

Lease assets are valued at the present value of future minimum lease payment. Amortization is based on the lease terms.

Accounts Receivable

The School's receivables consist of grants and subsidies from federal, state and local government agencies. Accordingly, all such receivables are considered by management to be fully collectible, and no allowance for doubtful accounts has been recorded.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. In general, Governmental Fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the fund. However, contractually required pension contributions and compensated absences that are paid from the Governmental Fund are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

Compensated Absences

It is the School's policy, except for the Chief Executive Officer's (CEO), to permit employees to accumulate earned but unused sick leave after the completion of their fifth year of employment. Except as required by state law, unused sick days are forfeited when an employee's employment terminates for any reason. The CEO's personal leave time and holidays that have been earned but unused can be rolled forward each year and compensated.

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2. Summary of Significant Accounting Policies, Continued

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Deferred Outflows / Inflows of Resources

The School follows GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In addition to reporting assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School's deferred outflows on the statement on net position consist of the deferred outflow related to post employment benefit and pension activity.

These deferred outflows are related to the result of negative changes in the School's proportionate share of the total plans from year to year, the difference between the actual employer contributions and the School's proportionate share of total contributions in the defined benefit and OPEB plans, and actual liabilities from those plans between the measurement date and the School's fiscal year-end.

In addition to reporting liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to post employment benefit and pension activity are reported in the government-wide statement of net position. These deferred inflows are the result of positive changes in the School's proportionate share of the total plans year to year changes resulting from differences between expected and actual experience and changes in assumptions or other inputs. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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2. Summary of Significant Accounting Policies, Continued

Fund Balance

The School follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- Restricted - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- Committed - Amounts that are constrained for specific purposes that are internally imposed by the School through a formal resolution of the Board of Trustees and do not lapse at year- end.
- Assigned - Amounts that are intended to be used for specific purposes that are neither considered restricted nor committed.
- Unassigned - All amounts not contained in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet. Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Trustees. The School does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order. At June 30, 2024 the School maintained an unassigned fund balance only.

Funding

The School is funded primarily from the local school district in which a student resides by receiving an amount equal to the calculation of selected expenditures per average daily membership for each child attending the School. Additional funding is received under local, state and federal grants and subsidies. Funding is recognized as revenue as it is earned.

Recently Issued Accounting Standards

In June 2022, the GASB issued GASB Statement No. 100, "*Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*". This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable

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2. Summary of Significant Accounting Policies, Continued

Recently Issued Accounting Standards, Continued

to the principle or methodology used before the change. That preferability should be based on the quantitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The Statement is effective for fiscal years beginning after June 15, 2023. This statement was early adopted with no impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, "*Compensated Absences*". This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The Statement is effective for fiscal years beginning after June 15, 2023. The adoption of this Statement had no significant impact on the School’s financial statements.

Prior Period Adjustments

The beginning fund balance and net position of the School were restated to correct accrued liabilities as follows:

Government-wide statement prior period adjustment:

Net position (deficit), beginning previously reported	\$ (1,189,000)
Accrued liabilities	<u>(239,027)</u>
Net position (deficit), beginning restated	<u>\$ (1,428,027)</u>

Governmental fund statement prior period adjustment:

Fund balance, beginning previously reported	\$ 1,764,550
Accrued liabilities	<u>(239,027)</u>
Fund balance, beginning restated	<u>\$ 1,525,523</u>

The above adjustments increased the current year change in net position and fund balance by \$239,027 and decreased the prior year’s by the same amount.

3. Cash and Cash Equivalents

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. The School regularly analyzes cash balances in institutions that exceed insured limits. Occasionally throughout the year, the school had a cash and cash equivalent balance in financial institutions that exceeded insured limits. At year-end, the total carrying amount of the School's checking, savings and money market deposits was \$919,970, of which \$669,970 was in excess of Federal Deposit Insurance Corporation (“FDIC”) limits. Under

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3. Cash and Cash Equivalents, Continued

Custodial Credit Risk, Continued - Pennsylvania Act 72, financial institutions pledge collateral on a pooled basis to secure public deposits over FDIC insurance limits. The excess funds are uninsured and uncollateralized at June 30, 2024.

4. Capital Assets

Capital asset activity for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Governmental activities:				
Capital assets being depreciated				
Building improvements	\$ 146,997	\$ 15,832	\$ -	\$ 162,829
Furniture and equipment	1,346,063	-	-	1,346,063
Total capital assets being depreciated	<u>1,493,060</u>	<u>15,832</u>	<u>-</u>	<u>1,508,892</u>
Accumulated depreciation				
Building improvements	(358,382) *	(5,625)	-	(364,007)
Furniture and equipment	(534,973) *	(259,062)	-	(794,035)
Total accumulated depreciation	<u>(893,355)</u>	<u>(264,687)</u>	<u>-</u>	<u>(1,158,042)</u>
Governmental activities - capital assets, net accumulated depreciation	<u>\$ 599,705</u>	<u>\$ (248,855)</u>	<u>\$ -</u>	<u>\$ 350,850</u>

* Reclass to show actual depreciation for asset class.

5. Leases

The School leases rental space at two locations: 926 Sedgley Avenue and 3300 Henry Avenue (Falls Center). In accordance with GASB Statement No. 87, *Leases*, the present value of the total remaining payments as of June 30, 2024 on the leases was \$720,115 and \$5,308,856, respectively. The Sedgley lease is effective from July 1, 2020, through June 30, 2025, and includes an average annual increase of 1.25%. The Falls Center lease is effective from August 1, 2020 through July 31, 2032, and includes an average annual increase of 2.5%.

In May 2023, a new lease agreement for an office copier was signed. The term of the lease is for 60 months with monthly payment of \$3,164. The School's total right-to-use lease assets is recorded at a cost of \$9,682,214, less accumulated amortization of \$3,980,912.

The future lease liability payments under the lease agreements are as follows:

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5. Leases, Continued

Year	Interest	Principal	Total
2024-25	\$ 165,389	\$ 1,283,384	\$ 1,448,773
2025-26	142,179	597,344	739,523
2026-27	137,455	634,816	772,271
2027-28	96,272	676,101	772,373
2028-32	172,548	2,945,052	3,117,600
Total	<u>\$ 713,843</u>	<u>\$ 6,136,697</u>	<u>\$ 6,850,540</u>

6. Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2024, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Compensated absences	\$ 8,400	\$ -	\$ (9)	\$ 8,391
Net Pension liability	2,223,000	-	(755,000)	1,468,000
Net OPEB liability	92,000	-	(32,000)	60,000
Total long-term liabilities	<u>\$ 2,323,400</u>	<u>\$ -</u>	<u>\$ (787,009)</u>	<u>\$ 1,536,391</u>

7. Pension Plans

Public School Employees' Retirement System

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System ("PSERS" or "the System") and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

General Information About the Pension Plan

Plan Description - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of

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7. Pension Plans, Continued

Public School Employees' Retirement System, Continued

General Information About the Pension Plan, Continued

service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided - PSERS provides retirement, disability and death benefits. Certain members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

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For the Year Ended June 30, 2024**

7. Pension Plans, Continued

Public School Employees' Retirement System, Continued

General Information About the Pension Plan, Continued

Contributions

Members' Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contributed 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contributed 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class TE rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation.
- Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2024, was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Plan from the School were \$173,762 for the year ended June 30, 2024.

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7. Pension Plans, Continued

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2024, the School reported a liability of \$1,468,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2022 to June 30, 2023. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. As of June 30, 2024, the School's proportion was 0.0033% which was a decrease of 0.0017% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School recognized pension benefit of \$487,074. As of June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities:		
Difference between expected and actual experience	\$ -	\$ 20,000
Changes in assumptions	22,000	-
Net difference between projected and actual investment earnings	42,000	-
Changes in proportions	36,000	1,071,000
Contributions subsequent to the measurement date	125,337	-
Total	<u>\$ 225,337</u>	<u>\$ 1,091,000</u>

For the year ended June 30, 2024, \$125,337 was reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date and will be recognized as a reduction of the new pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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7. Pension Plans, Continued

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Year Ending June 30	Governmental Activities
2025	\$ (431,340)
2026	(431,340)
2027	(145,960)
Thereafter	17,640
Total	\$ (991,000)

Actuarial Assumptions - The total pension liability as of June 30, 2024, was determined by rolling forward the System's Total Pension Liability as of the June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- *Actuarial Cost Method* - Entry Age Normal - level % of pay
- *Investment Return* - 7.00%, includes inflation at 2.50%
- *Salary Growth* - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Investments - The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

7. Pension Plans, Continued

Investments, Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	30.0%	5.2%
Private equity	12.0%	7.9%
Fixed income	33.0%	3.2%
Commodities	7.5%	2.7%
Infrastructure/MLPs	10.0%	5.4%
Real estate	11.0%	5.7%
Absolute return	4.0%	4.1%
Cash	3.0%	1.2%
Leverage	-10.50%	1.2%
	<u>100.0%</u>	

The above was the PSER's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate:

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7. Pension Plans, Continued

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate, Continued

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
School District's proportionate share of the net pension liability	\$ 1,903,000	\$ 1,468,000	\$ 1,101,000

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Employee Benefit Plan

The School has 403(b) Retirement Plan, a defined contribution plan under Section 403(b) of the Internal Revenue Code, which employees of the School are required to contribute. Employees hired after July 1, 2017 must contribute a minimum 5% of their qualified compensation, with the School matching up to 5% of their qualified compensation. On June 30, 2018 the Plan was amended to allow executive level employees the option to participate in PSERS or the 403(b) Plan. The School's contribution to the Plan for the period ended June 30, 2024 was \$146,012.

Once eligible to participate in the Plan, employees are immediately vested in their own contributions and earnings on those contributions, and become immediately vested in the School's contributions and the earnings on those contributions.

8. Other Postemployment Benefits (OPEB)

System Administration - The administrative staff of PSERS also administers two postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

Health Insurance Premium Assistance Program - The System provides Premium Assistance which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient

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8. Other Postemployment Benefits (OPEB), Continued

Health Insurance Premium Assistance Program, Continued

for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' HOP. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the HOP or a Commonwealth public school employer-sponsored health insurance program and are eligible for premium assistance if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

Contributions - The contribution policy is governed by applicable provisions of the Retirement Code. A portion of each employer contribution to the System is set aside for the funding of Premium Assistance. The total contribution rate for employers and the Commonwealth was 35.26% (34.31% for the pension component, 0.75% for the premium assistance component, and 0.20% for the DC component) of qualified compensation for the fiscal year ended June 30, 2023. The Premium Assistance contribution rate is set at a level necessary to establish reserves sufficient to provide Premium Assistance payments for all participating eligible members for the subsequent fiscal year. The contractually required employer OPEB contribution rate for the fiscal year ended June 30, 2024 was 0.72% of covered payroll.

At June 30, 2024, the School reported a liability of \$60,000 for its proportionate share of the net OPEB liability. The School's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the School's proportion was .0033%, which was a decrease of .0017% from its proportion measured as of June 30, 2022.

At June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

8. Other Postemployment Benefits (OPEB), Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities:		
Difference between expected and actual experience	\$ -	\$ 1,000
Changes in assumptions	5,000	11,000
Changes in proportions	2,000	140,000
Total	\$ 7,000	\$ 152,000

The collective deferred outflows of resources and deferred inflows of resources will be recognized in the collective proportionate share of OPEB expense as follows:

Year Ending June 30	Governmental Activities
2025	\$ (35,960)
2026	(35,960)
2027	(35,960)
Thereafter	(37,120)
Total	\$ (145,000)

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2024, was determined by rolling forward the System's Total OPEB Liability as of the June 30, 2022 actuarial valuation to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay.
- Investment return - 4.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprising of inflation 2.50% and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

8. Other Postemployment Benefits (OPEB), Continued

Actuarial Assumptions and Other Inputs, Continued –

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for fiscal year 2023.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

Investments - Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2023.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0%	1.2%
	100.0%	

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13% at June 30, 2023. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered to be a pay-as-you-go plan. A discount rate of

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

8. Other Postemployment Benefits (OPEB), Continued

Discount Rate, Continued - 4.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, was applied to all projected benefit payments to measure the Total OPEB Liability.

Sensitivity of the School's Proportionate Share of the Collective Net OPEB Liability to Change in Healthcare Cost Trend Rates - Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year and 522 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the School's share of the Premium Assistance net OPEB liability at June 30, 2023, calculated using Healthcare Cost Trends as well as what the System net OPEB liability would be if the Healthcare Cost Trends were 1 percentage point lower or 1 percentage point higher than the current rate:

Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
1% Decrease (between 4% and 6%)	Health Care Cost Trend Rates (between 5% and 7%)	1% Increase (between 6% and 8%)
\$ 60,000	\$ 60,000	\$ 60,000

The following presents the net OPEB liability, calculated using the discount rate of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.13%) or 1-percentage point higher (5.13%) than the current rate (4.13%).

Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 3.13%	4.13%	1% Increase 5.13%
\$ 68,000	\$ 60,000	\$ 53,000

OPEB Plan Fiduciary Net Position - Detailed information about PSERS' fiduciary net position is available in the PSERS Annual Comprehensive Financial Report which can be found on the System's website at www.psers.pa.gov.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

9. Commitments and Contingencies

Contractual Agreements

The School receives federal, state and local funding under a number of programs. Payments made by those sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. The School's management does not expect any significant adjustment as a result of these examinations. The School is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School.

Charter Status

At an action meeting of the Board of Directors of the School District of Philadelphia, the Charter for the School was renewed and authorized to operate for another five (5) years. If a Public Charter School were to surrender its Charter or the Charter were to be dissolved through the legal process, then all state and federal funding would end; having a material impact on the financial position of the Charter School.

Legal Proceedings

The School is subject to various legal proceedings and claims that have arisen in the ordinary course of business and have settled or have not been fully adjudicated. The School accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, the School accrues the minimum amount. The School expenses legal costs, including those expected to be incurred in connection with a loss contingency, as incurred.

10. Concentration of Credit Risk

Approximately 60% of the School's total revenue for the year ended June 30, 2024, is derived from the District.

11. Subsequent Events

The School evaluated its June 30, 2024 financial statements for subsequent events through December 20, 2024, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 9,488,407	\$ 9,488,407	\$ 6,298,476	\$ (3,189,931)
State sources	120,016	120,016	117,202	(2,814)
Federal sources	3,136,004	3,136,004	4,112,365	976,361
Total revenues	<u>12,744,427</u>	<u>12,744,427</u>	<u>10,528,043</u>	<u>(2,216,384)</u>
Expenditures:				
Basic instruction	4,330,829	4,330,829	4,325,681	(5,148)
Administration services	2,264,440	2,264,440	1,968,484	(295,956)
Operation and maintenance of plant services	2,473,794	2,473,794	2,323,457	(150,337)
Instructional staff services	1,607,799	1,607,799	1,368,408	(239,391)
Business services	176,822	176,822	206,458	29,636
Pupil health services	240,826	240,826	182,046	(58,780)
Interest expense	-	-	192,486	192,486
Capital outlay	5,227	5,227	124,618	119,391
Food services	969,996	969,996	481,685	(488,311)
Total expenditures	<u>12,069,733</u>	<u>12,069,733</u>	<u>11,173,323</u>	<u>(896,410)</u>
Excess (deficiency) of revenues over expenditures	674,694	674,694	(645,280)	(1,319,974)
Other financing uses:				
Proceeds from lease obligations	-	-	124,618	124,618
Net change in fund balance	<u>674,694</u>	<u>674,694</u>	<u>(520,662)</u>	<u>(1,195,356)</u>
Fund balance - beginning as previously reported	1,764,550	1,764,550	1,764,550	-
Restatement - correction of error	-	-	(239,027)	-
Fund balance - beginning of year, restated	<u>1,764,550</u>	<u>1,764,550</u>	<u>1,525,523</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 2,439,244</u></u>	<u><u>\$ 2,439,244</u></u>	<u><u>\$ 1,004,861</u></u>	<u><u>\$ (1,195,356)</u></u>

See the accompanying notes to the Budgetary Comparison Schedule.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2024**

NOTE A - Budgetary Information

An annual budget is adopted for the General Fund using the modified accrual basis of accounting. The budgetary comparison schedule of the General Fund presents the budget filed with and accepted by the Pennsylvania Department of Education as its budgeted amounts. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30 of the preceding fiscal year, the School prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Education.
4. The budget must be filed with the Pennsylvania Department of Education by July 31.

The School's Chief Executive Officer controls the budget at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Education. The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end. As part of the formal budgetary control, purchase orders, contracts and other commitments from the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for the Governmental Fund. A reserve for encumbrances is not reported on the government-wide financial statements. Included in the General Fund budget are program budgets as approved by the state and federal agencies funding the program. Program budgets normally cover fiscal periods different from the School's fiscal periods. Therefore, for financial statement presentation, program budgets are adjusted, based on expenditures, to reflect a 12-month budget which corresponds to the School's fiscal period.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2024**

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2024, expenditures exceeded appropriations in the following object levels (the legal level of budgetary control):

Administrative	\$ 100,680
Operation and maintenance of plant services	150,337
Instructional staff services	239,388
Pupil health services	58,780
Food services	488,311

Excess expenditures were funded by various revenues that were over budget in the General Fund and fund balance carried over from the prior year.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024
(UNAUDITED)**

Fiscal Year June 30,	<i>PSERS Net Pension Liability School's Proportion</i>	<i>PSERS Net Pension Liability School's Proportionate Share</i>	School's Covered Payroll	School's Proportionate Share of NPL as Percentage of Covered Payroll	PSERS Fiduciary Net Position as a Percentage of Total Pension Liability
2017	0.0228%	\$ 11,299,000	\$ 2,947,808	383.30%	50.14%
2018	0.0219%	\$ 10,816,000	\$ 2,912,756	371.33%	51.84%
2019	0.0169%	\$ 8,113,000	\$ 2,277,566	356.21%	54.00%
2020	0.0087%	\$ 4,070,000	\$ 1,193,129	341.12%	55.66%
2021	0.0069%	\$ 3,397,000	\$ 965,621	351.79%	54.32%
2022	0.0072%	\$ 2,956,000	\$ 1,007,576	293.38%	63.67%
2023	0.0050%	\$ 2,223,000	\$ 728,063	305.33%	61.34%
2024	0.0033%	\$ 1,468,000	\$ 503,887	291.34%	61.85%

See the accompanying notes to the financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024
(UNAUDITED)**

Fiscal Year June 30,	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 860,800	\$ 771,000	\$ 89,800	\$ 2,947,808	29.20%
2018	\$ 924,500	\$ 507,400	\$ 417,100	\$ 2,912,756	31.74%
2019	\$ 742,527	\$ 332,400	\$ 410,100	\$ 2,277,566	32.60%
2020	\$ 389,000	\$ 319,100	\$ 69,900	\$ 1,193,129	32.60%
2021	\$ 322,171	\$ 323,100	\$ (929)	\$ 965,621	33.36%
2022	\$ 336,167	\$ 342,000	\$ (5,833)	\$ 1,007,576	33.36%
2023	\$ 247,509	\$ 248,700	\$ (1,191)	\$ 728,063	33.99%
2024	\$ 167,289	\$ 173,700	\$ (6,411)	\$ 503,887	34.47%

See the accompanying notes to the financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024
(UNAUDITED)**

Fiscal Year June 30,	<i>PSERS Net OPEB Liability School's Proportion</i>	<i>PSERS Net OPEB Liability School's Proportionate Share</i>	School's Covered Payroll	School's Proportionate Share of Net OPEB Liability as Percentage of Covered Payroll	PSERS Fiduciary Net Position as a Percentage of Total OPEB Liability
2018	0.0219%	\$ 446,000	\$ 2,912,756	15.13%	5.47%
2019	0.0169%	\$ 352,000	\$ 2,277,566	15.46%	5.56%
2020	0.0087%	\$ 185,000	\$ 1,193,129	15.51%	5.56%
2021	0.0069%	\$ 149,000	\$ 965,621	15.43%	5.69%
2022	0.0072%	\$ 168,000	\$ 1,007,576	16.67%	5.30%
2023	0.0050%	\$ 92,000	\$ 728,063	12.64%	6.86%
2024	0.0033%	\$ 60,000	\$ 503,887	11.91%	7.22%

See the accompanying notes to the financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024
(UNAUDITED)**

Fiscal Year June 30,	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 24,730	\$ 24,000	\$ 730	\$ 2,912,756	0.84%
2019	\$ 18,872	\$ 19,000	\$ (128)	\$ 2,277,566	0.83%
2020	\$ 9,919	\$ 10,000	\$ (81)	\$ 1,193,129	0.83%
2021	\$ 8,127	\$ 8,000	\$ 127	\$ 965,621	0.84%
2022	\$ 8,278	\$ 7,000	\$ 1,278	\$ 1,007,576	0.82%
2023	\$ 5,841	\$ 20,000	\$ (14,159)	\$ 728,063	0.80%
2024	\$ 3,636	\$ 4,000	\$ (364)	\$ 503,887	0.79%

See the accompanying notes to the financial statements.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

Federal Grantor Pass Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2023	Total Received for the Year	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2024
U.S. Department of Education								
Pass-Through Pennsylvania Department of Education:								
Title I - Improving Basic Programs	84.010	013-230814	8/31/2022-9/30/2023	\$ 646,139	\$ 137,105	\$ 215,382	\$ 78,277	\$ -
Title I - Improving Basic Programs	84.010	013-240814	9/1/2023-9/30/2024	617,192	-	379,856	579,811	199,955
Title II - Improving Teacher Quality	84.367	020-230814	8/31/2022-9/30/2023	30,173	9,536	9,536	-	-
Title II - Improving Teacher Quality	84.367	020-240814	9/1/2023-9/30/2024	25,418	-	18,040	25,418	7,378
Title IV, Part A - Student Support and Academic Enrichment	84.424	144-230814	8/31/2022-9/30/2023	53,298	9,779	9,779	-	-
Title IV, Part A - Student Support and Academic Enrichment	84.424	144-240814	9/1/2023-9/30/2024	50,583	-	31,128	50,583	19,455
Education Stabilization Fund:								
COVID-19, CARES Act - ESSER II	84.425D	200-210814	3/13/2020-9/30/2023	2,534,736	521,827	1,178,947	657,120	-
COVID-19, American Rescue Plan - ARP ESSER	84.425U	223-210814	3/13/2020-9/30/2024	5,127,037	438,689	1,864,377	1,985,000	559,312
COVID-19, American Rescue Plan - ARP ESSER Learning Loss	84.425U	225-210814	3/13/2020-9/30/2024	284,633	(9,366)	160,429	172,003	2,208
COVID-19, American Rescue Plan - ARP ESSER Afterschool	84.425U	225-210814	3/13/2020-9/30/2024	56,927	22,277	32,086	23,265	13,456
COVID-19, American Rescue Plan - ARP ESSER Summer	84.425U	225-210814	3/13/2020-9/30/2024	56,927	45,542	32,087	-	13,455
Pass-Through School District of Philadelphia:								
Special Education Cluster								
Individuals w/Disabilities Education Act - Part B	84.027	N/A	7/1/2022 - 6/30/2023	72,382	72,381	72,381	-	-
Individuals w/Disabilities Education Act - Part B	84.027	N/A	7/1/2023 - 6/30/2024	75,092	-	-	75,092	75,092
Total Special Education Cluster					<u>72,381</u>	<u>72,381</u>	<u>75,092</u>	<u>75,092</u>
Pass-Through Chester County Intermediate Unit								
Title III - English Language Acquisition State Grants	84.365	N/A	7/1/2022-9/30/2023	2,632	2,632	2,632	-	-
Title III - English Language Acquisition State Grants	84.365	N/A	7/1/2023-9/30/2024	842	-	-	842	842
Total U.S. Department of Education					<u>1,250,402</u>	<u>4,006,660</u>	<u>3,647,411</u>	<u>891,153</u>
U.S. Department of Agriculture								
Pass-Through Pennsylvania Department of Education:								
Child Nutrition Cluster:								
National School Lunch Program	10.555	362	7/1/2022 - 6/30/2023	424,609	54,410	54,410	-	-
School Breakfast Program	10.553	365	7/1/2022 - 6/30/2023	237,994	30,217	30,217	-	-
National School Lunch Program	10.555	362	7/1/2023 - 6/30/2024	324,763	-	237,667	281,214	43,547
School Breakfast Program	10.553	365	7/1/2023 - 6/30/2024	186,753	-	137,723	162,238	24,515
Total Child Nutrition Cluster					84,627	460,017	443,452	68,062
Supply Chain Assistance	10.555	356	7/1/2023 - 6/30/2024	21,499	-	21,499	21,499	-
Total U.S. Department of Agriculture					<u>84,627</u>	<u>481,516</u>	<u>464,951</u>	<u>68,062</u>
Total Expenditures of Federal Awards					<u>\$ 1,335,029</u>	<u>\$ 4,488,176</u>	<u>\$ 4,112,362</u>	<u>\$ 959,215</u>

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024**

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position or changes in net position, of the School.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule 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. Negative amounts shown on the Schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To The Board of Trustees
The Laboratory School of Communication
and Languages Charter School
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund, of The Laboratory School of Communication and Languages Charter School ("the School") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in

the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The School's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Milligan & Company, LLC

Philadelphia, Pennsylvania
December 20, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Trustees
The Laboratory School of Communication
and Languages Charter School
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Laboratory School of Communication and Languages Charter School's ("the School") 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 the School's major federal programs for the year ended June 30, 2024. The School'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, the School 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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the 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 the School 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 the School'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 the School'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 the School'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 GAAS, *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 the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the School'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 the School'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 internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School'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, 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 of 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.

Milligan & Company, LLC
Philadelphia, Pennsylvania
December 20, 2024



**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

PART 1: SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major federal Program(s). Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

The programs identified and tested as major federal programs are:

Agency	Name of Federal Program	Assistance Listing #
U.S. Department of Education	American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U
	Coronavirus Aid, Relief, and Economic Security (CARES) Act ESSER II	84.425D

The threshold used to distinguish between Type A and Type B programs was \$750,000.

Auditee qualified as a low-risk auditee.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

PART II - FINANCIAL STATEMENT FINDINGS

**Finding 2024-001: Internal Control over Financial Reporting, Assistance Listing
Number(s) and Award Numbers – None**

Criteria: The Organization is required to establish and maintain a system of internal accounting controls sufficient to provide reasonable assurance that transactions are recorded to permit the fair preparation of financial statements in accordance with generally accepted accounting principles.

Condition: Material adjustments were made to the beginning fund balance and net position to correct an understatement of accrued liabilities related to prior years.

Cause: The School has account balances for accrued liabilities which are not reviewed for accuracy in a timely manner. As a result, our audit identified two accounts which, collectively, were understated by material amounts. The correction of these account balances required a prior period adjustment and adjustments to the related liability account balances at June 30, 2024.

Effect: Expenses were not recorded in the respective periods and resulted in a material understatement of the beginning fund balance and net position.

Recommendation: The School should establish a policy which requires all account balances to be reviewed and reconciled on a routine basis, especially at the end of the fiscal year. The reconciliation should be documented and approved by a responsible official.

Views of responsible officials and planned corrective actions:

Internal processes are in place to estimate the accruals for the Approved Private School "APS" invoices based on the most recent invoices received by the Pennsylvania Department of Education "the department". The department is approximately one year behind in invoicing for the APS students and the school estimates the accrual amounts and adjusts as needed. This has been the estimation process for many years. The June 30, 2024 end of year financials shows an estimate of \$150,000.00 for the Approved Private School "APS". This covers the bill received from the Pennsylvania Department of Education and management believes this estimate to be reasonable.

Furthermore, the second item noted and accrued was only approved by the board of directors in June of 2024 and the accrual was made at that time.

As always, the school is committed to reviewing the processes for accruing expenses and estimating expenses to accrue.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to report.

PART IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters to report.

**THE LABORATORY SCHOOL OF COMMUNICATION
AND LANGUAGES CHARTER SCHOOL**

Corrective Action Plan
Year Ended June 30, 2024

Name and Address of Independent Public Accounting Firm:

Milligan and Company, LLC
105 North 22nd Street
Philadelphia, PA 19103

Audit Period: June 30, 2024

The finding from the June 30, 2024 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDING – INTERNAL CONTROLS OVER FINANCIAL REPORTING

2024-001: Material weakness

Recommendation: The School should establish a policy which requires all account balances to be reviewed and reconciled on a routine basis, especially at the end of the fiscal year. The reconciliation should be documented and approved by a responsible official.

Corrective Action:

Internal processes are in place to estimate the accruals for the Approved Private School "APS" invoices based on the most recent invoices received by the Pennsylvania Department of Education "the department". The department is approximately one year behind in invoicing for the APS students and the school estimates the accrual amounts and adjusts as needed. This has been the estimation process for many years. The June 30, 2024 end of year financials shows an estimate of \$150,000.00 for the Approved Private School "APS". This covers the bill received from the Pennsylvania Department of Education and management believes this estimate to be reasonable.

Furthermore, the second item noted and accrued was only approved by the board of directors in June of 2024 and the accrual was made at that time.

As always, the school is committed to reviewing the processes for accruing expenses and estimating expenses to accrue.

Person(s) Responsible:

Name: Dr. Andrea Coleman-Hill

Respectfully Submitted