

LEGAL PREP CHARTER ACADEMIES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

LEGAL PREP CHARTER ACADEMIES

YEARS ENDED JUNE 30, 2021 AND 2020

CONTENTS

	Page
Independent auditors' report	1-2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6-7
Notes to financial statements	8-20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Independent Accountants' Report on Compliance with Requirements of Applicable Laws and Regulations Prescribed by Administering Agency	23-24
Schedule of current year findings and prior year findings	25



Independent Auditors' Report

Board of Directors
Legal Prep Charter Academies

Report on the Financial Statements

We have audited the accompanying financial statements of Legal Prep Charter Academies (the School), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Prep Charter Academies as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, 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.

Ostron Reisin Berk & Abrams, Ltd.

October 14, 2021

LEGAL PREP CHARTER ACADEMIES

STATEMENTS OF FINANCIAL POSITION

June 30,	2021	2020
ASSETS		
Current assets:		
Cash	\$ 327,384	\$ 115,260
Accounts and pledges receivable	140,342	107,922
Prepaid expenses	15,345	32,008
Total current assets	483,071	255,190
Property and equipment, net	6,231,371	6,385,243
Deposits	1,000	1,000
Total assets	\$ 6,715,442	\$ 6,641,433
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of notes payable	\$ 169,738	\$ 157,292
Advances and short-term loans from officers and related parties		200,000
Accounts payable and accrued expenses	244,219	262,176
Total current liabilities	413,957	619,468
Long-term liability:		
Notes payable, less current maturities	5,200,866	5,940,258
Total liabilities	5,614,823	6,559,726
Net assets:		
Without donor restrictions	1,083,119	69,207
With donor restrictions	17,500	12,500
Total net assets	1,100,619	81,707
Total liabilities and net assets	\$ 6,715,442	\$ 6,641,433

See notes to financial statements.

LEGAL PREP CHARTER ACADEMIES

STATEMENTS OF ACTIVITIES

Years ended June 30,	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Chicago Public Schools:						
Per pupil and related funding	\$ 4,179,148		\$ 4,179,148	\$ 4,401,253		\$ 4,401,253
E-Rate	20,693		20,693	17,991		17,991
Contributions and grants	176,671	\$ 35,000	211,671	155,318	\$ 25,000	180,318
Contributed goods and services	26,810		26,810	26,279		26,279
Fundraising events	138,715		138,715	149,542		149,542
School lunch revenue	81,839		81,839	80,045		80,045
Student activities	21,253		21,253	40,740		40,740
Forgiveness of debt - PPP loan	569,655		569,655			
Net assets released from restrictions	30,000	(30,000)		61,533	(61,533)	
Total revenue	5,244,784	5,000	5,249,784	4,932,701	(36,533)	4,896,168
Expenses:						
Program services	3,781,620		3,781,620	4,254,111		4,254,111
Supporting services:						
Management and general	389,254		389,254	427,917		427,917
Fundraising	59,998		59,998	92,650		92,650
Total expenses	4,230,872		4,230,872	4,774,678		4,774,678
Change in net assets	1,013,912	5,000	1,018,912	158,023	(36,533)	121,490
Net assets (deficit):						
Beginning of year	69,207	12,500	81,707	(88,816)	49,033	(39,783)
End of year	\$ 1,083,119	\$ 17,500	\$ 1,100,619	\$ 69,207	\$ 12,500	\$ 81,707

See notes to financial statements.

LEGAL PREP CHARTER ACADEMIES

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2021				2020			
	Program services	Supporting Services		Total	Program services	Supporting Services		Total
Management and general		Fundraising	Management and general			Fundraising		
Advertising and recruitment	\$ 17,929		\$ 5,976	\$ 23,905	\$ 9,409		\$ 3,136	\$ 12,545
Contracted services	57,368			57,368	98,494			98,494
CPS administrative fee		\$ 97,385		97,385		\$ 105,893		105,893
Depreciation	191,033	16,612		207,645	181,878	15,816		197,694
Employee benefits and payroll taxes	554,643	36,172	12,058	602,873	598,450	39,029	13,010	650,489
Food service	65,953			65,953	71,242			71,242
Insurance	48,103			48,103	40,266			40,266
Interest expense	335,946			335,946	316,603	27,532		344,135
Office supplies and expenses	58,060	5,049		63,109	59,689	3,893	1,297	64,879
Professional fees		95,950		95,950		75,061	27,334	102,395
Rent and occupancy	140,239	12,195		152,434	196,347	17,074		213,421
Salaries	1,930,336	125,891	41,964	2,098,191	2,202,161	143,619	47,873	2,393,653
Student expenses	244,313			244,313	362,502			362,502
Textbooks and educational materials	137,697			137,697	117,070			117,070
Total expenses	\$ 3,781,620	\$ 389,254	\$ 59,998	\$ 4,230,872	\$ 4,254,111	\$ 427,917	\$ 92,650	\$ 4,774,678

See notes to financial statements.

LEGAL PREP CHARTER ACADEMIES

STATEMENTS OF CASH FLOWS

Years ended June 30,	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,018,912	\$ 121,490
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	207,645	197,694
Forgiveness of debt - PPP loan	(569,655)	
(Increase) decrease in operating assets:		
Accounts and pledges receivable	(32,420)	81,824
Prepaid expenses	16,663	(29,212)
Decrease in operating liabilities:		
Accounts payable and accrued expenses	(17,957)	(339,203)
Net cash provided by operating activities	623,188	32,593
Cash flows from investing activity:		
Purchases of property and equipment	(53,773)	(1,356,234)
Net cash used in investing activity	(53,773)	(1,356,234)
Cash flows from financing activities:		
Payments on line of credit		(250,000)
Proceeds from long-term debt		569,655
Payments on long-term debt	(157,291)	(128,518)
Proceeds from advances and short-term loans from officers and related parties	15,000	410,500
Payments on advances and short-term loans from officers and related parties	(215,000)	(505,500)
Proceeds from short-term loans from others		45,000
Payments on short-term loans from others		(45,000)
Net cash provided by (used in) financing activities	(357,291)	96,137

See notes to financial statements.

LEGAL PREP CHARTER ACADEMIES

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	2021	2020
Net change in cash	\$ 212,124	\$ (1,227,504)
Cash:		
Beginning of year	115,260	1,342,764
End of year	\$ 327,384	\$ 115,260
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 335,946	\$ 376,977

See notes to financial statements.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

Legal Prep Charter Academies (the School), located in Chicago, Illinois, was incorporated on October 5, 2009, under the provisions of the General Not-For-Profit Act of the State of Illinois. The School was founded to create a legal themed charter high school in a high-need Chicago community. The School's mission is to prepare Chicago's youth to succeed in college and in life.

The School opened its facility to students in August 2012. The School served an average of 239 and 286 students for the years ended June 30, 2021 and 2020, respectively.

The School is supported primarily through funding from Chicago Public Schools and other contributions including funding from state and federal agencies, various community and corporate foundations and the general public. During the years ended June 30, 2021 and 2020, the School received approximately 80% and 90%, respectively, of its support from per pupil and related funding from Chicago Public Schools.

The School is subject to a Charter School Agreement with the Board of Education of the City of Chicago (Chicago Public Schools or CPS). The agreement is for a term of five years ending on June 30, 2022. In addition, the School has been certified as a charter school by the Illinois State Board of Education (ISBE).

The School is governed by a Board of Directors that is selected according to the School's bylaws.

Under state law, Chicago Public Schools have oversight responsibility to verify that the School complies with the requirements and meets the expectations of a public educational system. The School is expected to satisfy regulations and compliance requirements of Chicago Public Schools.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies

The significant accounting policies of the School are summarized below:

Basis of accounting:

The School's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recent accounting pronouncement:

Effective July 1, 2020, the School adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that the School recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the School expects to be entitled in exchange for those goods and services. The guidance uses a principles-based approach for determining revenue recognition, eliminates the transaction and industry-specific guidance, and establishes a five step approach for the recognition of revenue. The School implemented this standard during the year ended June 30, 2021 using the modified retrospective method. The adoption of this standard did not materially impact the financial statements of the School.

Net assets:

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Contributions and grants received subject to donor restrictions and spent in fulfillment of those restrictions in the same fiscal year are reported as net assets without donor restrictions.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition:

The School has the following types of revenue:

Per pupil and other CPS funding, school lunch revenue, and federal revenue (including Title funding and E-Rate)

The School receives a student allocation from Chicago Public Schools as well as other state and local and federal entitlement funding to cover the cost of educational expenses. Per-capita tuition is calculated by ISBE as defined by statute, and varies year-to-year as the following fluctuate: CPS' expenditures, expenditure composition, categorical revenue, and student attendance. Per-capita tuition includes an allotment for instruction and operations, facility costs (for schools operating in independent facilities), and special education.

The revenue is recognized ratably over the school year. Other state and local entitlements, special education, and other CPS funding are allocated by CPS and recognized as revenue ratably over the school year. Federal entitlements such as Title funding are also allocated by CPS and are recognized as revenue as allowable costs are incurred. E-Rate revenue is recognized when eligible program expenses are incurred and approved. School lunch revenue is recognized as revenue when meals are served to qualifying students. All of these revenue categories are accounted for as nonexchange transactions as the benefit to the resource provider is incidental to the public benefit received by the students served by the School.

Student activities

Student activities include annual school fees, sports fees, graduation fees, field trip fees, summer school fees and uniform fees. Since collection is not probable, student activities revenue is recognized when fees are collected and performance obligations are met.

Contributions and grants

The School recognizes contributions and grants when cash, securities or other assets, or an unconditional promise to give (pledge) is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition: (continued)

Contributed goods and services

Contributed goods and services are reflected as contributions at their fair value at the date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The School recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not contributed. The School receives services from a large number of volunteers who give significant amounts of their time to the School, but these services do not meet the criteria for financial statement recognition.

During the years ended June 30, 2021 and 2020, the School received contributed goods and services as follows:

Year ended June 30, 2021	Program services	Management and general	Total
Professional fees		\$ 17,792	\$ 17,792
Textbooks and educational materials	\$ 9,018		9,018
Total	\$ 9,018	\$ 17,792	\$ 26,810

Year ended June 30, 2020	Program services	Management and general	Total
Professional fees		\$ 26,083	\$ 26,083
Student expenses	\$ 196		196
Total	\$ 196	\$ 26,083	\$ 26,279

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Accounts and pledges receivable:

Accounts and pledges receivable consist of amounts due from Chicago Public Schools, other governmental agencies, and donors. The School estimates the allowance based on an analysis of specific account history and experience. It is the School's policy to charge off uncollectible accounts receivable when management determines that the receivable will not be collected. An allowance for doubtful accounts is considered unnecessary and is not provided as of June 30, 2021 and 2020. All accounts and pledges receivable at June 30, 2021 and 2020 are due within one year.

Property and equipment and related depreciation:

Property and equipment are stated at cost, if purchased or at fair value at the date of donation, if donated. Acquisitions of property and equipment in excess of \$500 are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of depreciable assets.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2021 and 2020.

Expense allocation:

The costs of program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits and payroll taxes, depreciation, interest, office supplies and expenses, and rent and occupancy are allocated on the basis of estimates of time and effort. All other costs directly attributable to a program or supporting function are charged directly to that function.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of the School has reviewed and evaluated subsequent events through October 14, 2021, the date the financial statements were available to be issued.

3. Revenue from contracts with customers

Revenue from contracts with customers includes the portion of fundraising events revenue that relates to the exchange element, which is based upon the fair value of the direct benefits donors receive. Revenue is recognized at a point in time when the special event takes place. During the years ended June 30, 2021 and 2020, there were minimal amounts of exchange elements for fundraising events held during the year. In addition, there were no receivables from contracts with customers, contract assets, or contract liabilities as of June 30, 2021, 2020, and 2019, respectively.

4. COVID-19 impact

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. During the COVID-19 pandemic, the School's services have generally been considered essential in nature and although the teaching was changed from in-person to a remote learning model through June 2021, the functions of the School have not been materially interrupted.

As the situation continues to evolve, the School is closely monitoring the impact of the COVID-19 pandemic on all aspects of the School's operations, including how it impacts the School's students, employees, funders, suppliers, and vendors, in addition to how the COVID-19 pandemic impacts the School's ability to provide educational services to students. The School believes that the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the School's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the School.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Liquidity and availability

The School manages available cash to meet general expenditures following these principles:

- Meet operating needs and contractual commitments
- Maintain adequate liquid assets
- Maintain sufficient reserves to fund programs

The sources of liquidity available to the School are cash and receivables. The School strives to maintain sufficient cash to cover general expenditures. To facilitate this goal, management updates a rolling, 12-month projected cash flow statement on a monthly basis. Each month, management looks ahead to ensure that cash inflows and outflows are properly projected regarding the School's operations.

The table below presents financial assets available for general expenditures within one year at June 30, 2021 and 2020:

June 30,	2021	2020
Financial assets at year-end:		
Cash	\$ 327,384	\$ 115,260
Accounts and pledges receivable	140,342	107,922
	467,726	223,182
Less amount not available to be used within one year:		
Net assets with donor restrictions	17,500	12,500
	\$ 450,226	\$ 210,682
Financial assets available to meet general expenditures within one year		

6. Tax status

The School is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the School is not a private foundation within the meaning of Section 509(a) of the Code. Management has determined that the School was not required to record a liability related to uncertain tax positions as of June 30, 2021 and 2020.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Cash

The School maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2021 and 2020, cash in excess of these limits totaled approximately \$77,000 and \$-0-, respectively. Management believes that the School is not exposed to any significant credit risk on cash.

8. Property and equipment

The components of property and equipment are as follows:

June 30,	2021	2020
Building and building improvements	\$ 7,307,435	\$ 7,258,320
Classroom textbooks	109,796	109,796
Computer equipment	333,474	331,776
Furniture	255,462	252,502
Land	144,394	144,394
	8,150,561	8,096,788
Less accumulated depreciation	(1,919,190)	(1,711,545)
Property and equipment, net	\$ 6,231,371	\$ 6,385,243

During the year ended June 30, 2020, land in the amount of \$50,419 was foreclosed and a liability for unpaid real estate taxes of the same amount was relieved at the same time. There was no impact on the School's change in net assets for the year ended June 30, 2020.

9. Advances and short-term loans from officers and related parties

The School entered into several short-term loans with family members and friends of officers and management of the School for working capital of \$299,000 during the year ended June 30, 2020. As of June 30, 2020, \$100,000 remained unpaid. As of June 30, 2021, all of these related short-term loans were paid in full with interest.

The School entered into a short-term loan with a board member of the School for working capital of \$100,000 during the year ended June 30, 2019 which remained unpaid as of June 30, 2020. As of June 30, 2021, this short-term loan was paid in full.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Advances and short-term loans from officers and related parties (continued)

The School entered into several short-term loan with board members of the School for working capital of \$111,500 during the year ended June 30, 2020. As of June 30, 2020, all of these short-term loans were paid in full with interest.

The School entered into a short-term loan with a board member of the School for working capital of \$15,000 during the year ended June 30, 2021. As of June 30, 2021, this short-term loan was paid in full.

Interest expense related to advances and short-term loans from officers and related parties was \$5,500 in 2021 and \$43,500 in 2020.

10. Notes payable

The School has the following loans with IFF:

\$2,928,000 with monthly principal and interest payments of \$19,770, and annual interest rate of 6.5%, and is due on December 28, 2041.

\$750,000 with monthly principal and interest payments of \$6,482, an annual interest rate of 6.375% for the first five years and at the greater of i) the sum of the yield to maturity (based on asked quotations) of United States Treasury obligations with a maturity equal to the maturity date plus 3.00% or ii) 6.00% for the succeeding 10 years, and is due on December 28, 2031.

\$750,000 with monthly principal and interest payments of \$6,482, an annual interest rate of 6.375% for the first five years and at the greater of i) the sum of the yield to maturity (based on asked quotations) of United States Treasury obligations with a maturity equal to the maturity date plus 3.00% or ii) 6.00% for the succeeding 10 years, and is due on December 28, 2031.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Notes payable (continued)

The School has three additional loans to finance capital improvement projects at the School:

\$702,398 Note A and \$237,602 Note B with IFF Capital 26, LLC, as part of a New Market Tax Credits financing transaction. Both of the loans require the School to make quarterly interest-only payments of 3.88%. The loans mature on June 28, 2026. It is expected that at the end of the seven-year NMTC compliance period, approximately in June 2026, the NMTC transaction will unwind and the remaining loan balances in Note A and Note B will be refinanced.

\$567,000 with IFF and with monthly interest-only payments through July 31, 2020, principal and interest payments of \$5,096 starting on August 1, 2020 at an annual interest rate of 7.00% through June 30, 2025, at which time the interest rate resets to the greater of i) the sum of the yield to maturity (based on asked quotations) of United States Treasury obligations with a maturity equal to the maturity date plus 4.00% or ii) 6.00% through the maturity date of July 1, 2035.

All of the above loans are collateralized by the facility.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, utilities and other allowable costs. The School applied for and received \$569,655. The School applied for loan forgiveness under the provisions of Section 1106 of the CARES Act and the loan forgiveness application was approved by the lender and the SBA in January 2021. The School has accounted for the PPP loan under the debt model and recognized forgiveness of debt revenue of \$569,655 during the year ended June 30, 2021 upon approval of the loan forgiveness application.

During the year ended June 30, 2020, the School entered into a short-term loan with an individual independent of the School for working capital of \$45,000. As of June 30, 2020, the loan was paid in full with interest of \$5,000.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Notes payable (continued)

Future principal amounts due on the notes payable are as follows:

Year ending June 30:	Amount
2022	\$ 169,738
2023	181,124
2024	193,271
2025	206,238
2026	1,160,074
Thereafter	3,460,159
Total	\$ 5,370,604

11. Line of credit

In February 2021, the School entered into a revolving line of credit agreement with First American Bank which allows for maximum borrowings of up to \$100,000 with interest on borrowings at the prime rate (3.25% as of June 30, 2021) plus 1%, not to be less than 4.25%. There were no amounts outstanding on the line of credit as of June 30, 2021. The line of credit agreement requires the School to be in compliance with various covenants, which the School was in compliance with as of June 30, 2021. Previously, the School had a revolving line of credit of up to \$250,000 that matured in December 2019.

12. Leases

The School leases an adjacent building that provides gymnasium space under an operating lease expiring on June 15, 2023. The School also leases computers and certain operating equipment.

Total lease expense under the above leases for the years ended June 30, 2021 and 2020 was approximately \$54,000 and \$112,000, respectively.

Future minimum lease payments are as follows:

Year ending June 30:	Amount
2022	\$ 39,332
2023	34,479
Total	\$ 73,811

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Net assets with donor restrictions

As of June 30, 2021 and 2020, net assets with donor restrictions of \$17,500 and \$12,500, respectively, are restricted for time restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions:

Years ended June 30,	2021	2020
Purpose restriction:		
ESSA Empowered grant		\$ 36,533
Time restrictions	\$ 30,000	25,000
Total net assets released from restrictions	\$ 30,000	\$ 61,533

14. Retirement fund commitments

The School participates in the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF or the Fund), a defined-benefit plan. Participants of the Fund include all active nonannuitants who are employed by a Fund-covered employer and who hold an Illinois State Teacher Certification Board certification. The State of Illinois appropriates public contributions to the Chicago Public Schools who then remits those (employer) contributions to the Fund for the benefit of applicable Chicago schools.

Chicago Public Schools withholds the employer contribution related to pensionable salaries from the tuition that was paid to each school.

On a discretionary basis, the School has elected to pay a portion of its employees' required contributions to the Fund. The Fund does not maintain separate actuarial records for the School.

LEGAL PREP CHARTER ACADEMIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Retirement fund commitments (continued)

CTPF pension amounts are as follows for the years ended June 30, 2021 and 2020:

Years ended June 30,	2021	2020
Total pensionable salaries	\$ 1,239,868	\$ 1,419,079
Employees' contribution expense picked up by employer	\$ 55,212	\$ 66,923
Employer's contribution expense (11.16%)	\$ 138,369	\$ 158,369
Less: CPS deduction amount for employer's pension expense	(147,843)	(163,442)
Pension true-up amount	\$ (9,474)	\$ (5,073)

In addition, all School employees are eligible to participate in a Section 403(b) defined-contribution plan. The School may make discretionary matching contributions for employee contributions for employees who do not participate in CTPF. During the years ended June 30, 2021 and 2020, the School paid \$12,053 and \$13,066, respectively.

15. Commitments and contingencies

The School has received funds from state and federal grants in the current year which are subject to audits by the granting agencies. Management believes that any adjustments that might arise from these audits would be insignificant to the School's operations.

The School was named as the defendant in two lawsuits involving alleged misconduct by a former employee of the School. The lawsuits are in the discovery stage. Management believes that any potential loss will be covered by its insurance carrier and would not have a material effect on the School's financial position or change in net assets.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Legal Prep Charter Academies

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Legal Prep Charter Academies (the School), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2021.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, IL
October 14, 2021



Independent Accountants' Report on Compliance with Requirements of Applicable Laws and Regulations Prescribed by Administering Agency

Board of Directors
Legal Prep Charter Academies

We have examined Legal Prep Charter Academies' (the School) compliance with the compliance requirements listed in Attachment A provided by its administering agency, Chicago Public Schools, during the year ended June 30, 2021. Management of the School is responsible for the School's compliance with the specified requirements. Our responsibility is to express an opinion on the School's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the School complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the School complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the School's compliance with specified requirements.

In our opinion, the School complied, in all material respects, with the specified requirements referred to in Attachment A during the year ended June 30, 2021.

This report is intended solely for the information and use of the Board of Directors and management of Legal Prep Charter Academies and Chicago Public Schools and is not intended to be, and should not be, used by anyone other than the specified parties.

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, IL
October 14, 2021

Attachment A

Chicago Public Schools provided the specified requirements in a memorandum dated May 7, 2021 and a Charter School Agreement dated July 1, 2017.

- Open Meetings Act (5 ILCS 120/1.01 *et seq.*)
- Fingerprint-based Criminal Background Investigations and Checks of the Statewide Sex Offender Database and Statewide Child Murderer and Violent Offender Against Youth Database (105 ILCS 5/10-21.9 and 105 ILCS 5/34-18.5)
- Illinois School Student Records Act (105 ILCS 10/1 *et seq.*)
- Administering Medication (105 ILCS 5/10-22.21b)
- Hazardous Materials Training (105 ILCS 5/10-20.17a)
- School Safety Drill Act (105 ILCS 128/1 *et seq.*)
- Abused and Neglected Child Reporting Act (325 ILCS 5/1 *et seq.*)
- Eye Protection in School Act (105 ILCS 115/0.01 *et seq.*)
- Toxic Art Supplies in Schools Act (105 ILCS 135/1 *et seq.*)
- Infectious Disease Policies and Rules (105 ILCS 5/10-21.11)
- Physical Fitness Facility Medical Emergency Preparedness Act (210 ILCS 74/1 *et seq.*)
- Open Enrollment Process and Lottery (105 ILCS 5/27A-4(d), (h))
- Board of Directors Requirements (105 ILCS 5/27A-5(c))
- Conformance with the following sections of the Charter School Agreement:
 - Section 5: Governance and Operation
 - Section 5: Maintenance of Corporate Status and Good Standing
 - Section 6: Pension Payments
 - Section 6: Management and Financial Controls
 - Section 6: Attendance
 - Section 7: Facility
 - Section 9: Insurance

LEGAL PREP CHARTER ACADEMIES

SCHEDULE OF CURRENT YEAR FINDINGS AND PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2021

There were no findings during the years ended June 30, 2021 and 2020.