ATHLOS ACADEMY OF JEFFERSON

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
June 30, 2024 and 2023

ATHLOS ACADEMY OF JEFFERSON

TABLE OF CONTENTS

June 30, 2024 and 2023

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Athlos Academy of Jefferson
Terrytown, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Athlos Academy of Jefferson (the Academy) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Athlos Academy of Jefferson as of June 30, 2024 and 2023, 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.

Basis for Opinion

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. 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 Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

3330 West Esplanade Avenue, Suite 100
Metairie, LA 70002
CPAmerica
Member Crowe Global
P: (504) 838-9991 F: (504) 833-7971
www.kl-cpa.com

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 Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), schedule of board of directors, and the accompanying schedule of compensation, reimbursements, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 11, 2024 on our consideration of Athlos Academy of Jefferson'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 Academy'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 Athlos Academy of Jefferson's internal control over financial reporting and compliance.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
December 11, 2024

ATHLOS ACADEMY OF JEFFERSON

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash	$ 6,109,933	$ 2,813,699
Restricted cash and cash equivalents	2,879,016	-
Grants receivable	555,167	3,004,879
Prepaid expenses	277,506	3,695
TOTAL CURRENT ASSETS	9,821,622	5,822,273
NONCURRENT ASSETS		
Deposits	17,011	17,011
Property and equipment, net	27,244,798	66,512
Right of use asset – financing	-	36,555,934
TOTAL NONCURRENT ASSETS	27,261,809	36,639,457
TOTAL ASSETS	$ 37,083,431	$ 42,461,730

LIABILITIES AND NET ASSETS

	2024	2023
CURRENT LIABILITIES		
Accounts payable	$ 136,412	$ 192,727
Accrued payroll and other liabilities	286,611	388,623
Due to related parties – other	438,647	566,164
Bonds payable, current portion	210,000	-
Lease liability – financing	-	839,824
TOTAL CURRENT LIABILITIES	1,071,670	1,987,338
NONCURRENT LIABILITIES		
Lease liability – financing, less current portion	-	36,771,264
Bonds payable, less current portion	31,905,000	-
Less debt issuance costs, net	(1,032,002)	-
Less original issue bond discount, net	(934,936)	-
TOTAL LIABILITIES	31,009,732	38,758,602
NET ASSETS		
Without donor restrictions	6,073,699	3,703,128
TOTAL NET ASSETS	6,073,699	3,703,128
TOTAL LIABILITIES AND NET ASSETS	$ 37,083,431	$ 42,461,730

ATHLOS ACADEMY OF JEFFERSON

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2024 and 2023

	2024 Without Donor Restrictions	2023 Without Donor Restrictions
REVENUE		
State and local MFP funding	$ 13,726,943	$ 13,619,079
Federal and state grant revenue	4,444,443	5,156,549
Other income	82,886	78,343
Interest income	90,077	15,086
Gain on termination of lease	1,698,257	-
TOTAL REVENUE	20,042,606	18,869,057
EXPENSES		
Program services	11,727,502	8,696,909
General and administrative	5,944,533	8,677,761
TOTAL EXPENSES	17,672,035	17,374,670
CHANGES IN NET ASSETS	2,370,571	1,494,387
NET ASSETS, Beginning of Year	3,703,128	2,208,741
NET ASSETS, End of Year	$ 6,073,699	$ 3,703,128

ATHLOS ACADEMY OF JEFFERSON

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024

	Program Services	General and Administrative	Total
Salary expense	$ 4,868,433	$ 1,125,117	$ 5,993,550
Payroll taxes & employee benefits	851,084	184,087	1,035,171
Professional fees	514,478	2,690,699	3,205,177
Facility expense	54,824	953,890	1,008,714
Insurance	-	480,177	480,177
Student transportation	1,624,180	-	1,624,180
Food service expense	767,054	-	767,054
Travel expenses	-	30,998	30,998
Materials and supplies	222,545	167,198	389,743
Books and workbooks	133,694	-	133,694
Miscellaneous expense	-	13,343	13,343
Amortization – right of use asset	1,055,227	117,248	1,172,475
Amortization – debt issuance cost	22,742	2,527	25,269
Amortization – original issue bond discount	9,690	1,077	10,767
Interest	1,313,329	145,925	1,459,254
Depreciation	290,222	32,247	322,469
TOTAL EXPENSES	$ 11,727,502	$ 5,944,533	$ 17,672,035

ATHLOS ACADEMY OF JEFFERSON

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Program Services	General and Administrative	Total
Salary expense	$ 4,805,700	$ 1,231,422	$ 6,037,122
Payroll taxes & employee benefits	1,076,538	149,929	1,226,467
Professional fees	514,727	2,564,062	3,078,789
Facility expense	49,348	1,018,242	1,067,590
Insurance	-	267,633	267,633
Student transportation	1,454,705	-	1,454,705
Food service expense	570,157	11,315	581,472
Travel expenses	5,750	48,939	54,689
Materials and supplies	13,393	210,794	224,187
Books and workbooks	199,264	-	199,264
Miscellaneous expense	7,327	98,991	106,318
Amortization – right of use asset	-	1,820,213	1,820,213
Interest	-	1,249,234	1,249,234
Depreciation	-	6,987	6,987
TOTAL EXPENSES	$ 8,696,909	$ 8,677,761	$ 17,374,670

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

ATHLOS ACADEMY OF JEFFERSON

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 2,370,571	$ 1,494,387
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Amortization – right of use asset	1,172,475	1,820,213
Amortization – original bond discount	25,269	-
Amortization – debt issuance costs	10,767	-
Depreciation	322,469	6,987
Gain on termination of lease	(1,698,257)	-
Changes in operating assets and liabilities:		
Grants receivable	2,449,712	(214,148)
Prepaid expenses	(273,811)	(2,421)
Accounts payable	(56,315)	(193,072)
Accrued payroll and other liabilities	(102,012)	120,911
Due to related parties	(127,517)	(563,571)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,093,351	2,469,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(27,500,755)	(73,499)
NET CASH USED IN INVESTING ACTIVITIES	(27,500,755)	(73,499)
CASH FLOWS FROM FINANCING ACITIVITES		
Net proceeds from issuance of bonds	30,112,026	-
Principal payments on financing lease	(529,372)	(765,058)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	29,582,654	(765,058)
NET CHANGE IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS	6,175,250	1,630,729
CASH, RESTRICTED CASH AND CASH EQUIVALENTS – Beginning of year	2,813,699	1,182,970
CASH, RESTRICTED CASH AND CASH EQUIVALENTS – End of year	$ 8,988,949	$ 2,813,699

SUPPLEMENTAL CASH FLOW INFORMATION

	2024	2023
Interest expense payments on financing lease	$ (788,302)	(1,249,234)
Interest expense payments on bonds payable	$ (670,952)	-
Right of use asset – financing obtained in exchange for a financing lease obligation	$ -	38,376,147

During the year ended June 30, 2024, the Academy purchased a formerly leased school facility. This resulted in derecognizing $35,383,459 of right of use asset – financing and $37,081,716 of lease liability – financing resulting in the gain on termination of lease of $1,698,257 noted above.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Athlos Academy of Jefferson (the Academy) was incorporated on April 19, 2016 as a nonprofit organization under the laws of the State of Louisiana. The purpose of the Academy is to provide high quality educational opportunities for the whole child built on the three foundational pillars of prepared mind, healthy body, and performance character. During the year ended June 30, 2019, the Academy began operating a school in Terrytown, Louisiana servicing students from Kindergarten through seventh grade. During the year ended June 30, 2020, the Academy expanded their services to students to include eighth grade. The Academy was approved to operate as a Type 2 charter school by the Louisiana Board of Elementary and Secondary Education (BESE) in June 2018. The Academy has partnered with Athlos Academies, an educational service provider, who provides management services and support for academic, fiscal, and operational services.

The charter contract entered into with BESE was effective for an initial period of four years and was set to terminate on June 30, 2023, unless extended for a maximum initial term of five years, contingent upon the results of a review by BESE after the completion of the third year of operation. In December of 2022, BESE approved a three-year renewal of the charter contract, through June 30, 2026, as recommended by the Louisiana Department of Education (LDOE). Prior to the expiration of the current charter contract, the charter contract may be renewed at the discretion of BESE pursuant to applicable provisions of Title 17, Chapter 42, of the Louisiana Revised Statutes and BESE policy Bulletin 126.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Academy to report information regarding its financial position and activities according to the following net asset classifications:

> ***Net assets without donor restrictions*** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Academy. These net assets may be used at the discretion of the Academy's management and the Board of Directors.
>
> ***Net assets with donor restrictions*** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Academy or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting and Financial Statement Presentation – Continued

Donor restricted revenues are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. The Academy did not have any assets with donor restrictions as of June 30, 2024 and 2023.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Fair value estimates, methods and assumptions for the Academy's financial instruments of cash, restricted cash and cash equivalents, grants receivable, prepaid expenses, deposits, accounts payable, accrued payroll and other liabilities, due to related parties – other, lease liability – financing, and bonds payable are that the carrying amounts reported approximate fair value at June 30, 2024 and 2023.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash (See NOTE 9).

Cash and Cash Equivalents

The Academy considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

Restricted Cash and Cash Equivalents

The restricted cash and cash equivalents are amounts not available for general purposes and are segregated from other cash balances. The restrictions are related to contractual agreements and regulatory requirements of the bonds payable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Grants Receivable

Grants receivable consists of receivables related to the federal grant programs and are stated at the amounts the Academy expects to collect. As of June 30, 2024 and 2023, the Academy has determined that there were no balances deemed uncollectible. Grant receivables as of July 1, 2022 were $2,790,731.

Revenue Recognition

Program income and other sources of income are accounted for under ASC Topic 606, *Revenue from Contracts with Customers*, recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied, or when performance obligations are met. The Academy's primary sources of funding are through the State of Louisiana Public School Fund-Minimum Foundation Program (MFP) and federal and state grants. Revenues from federal and state grants are recorded when the Academy has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the Academy, or when earned under the terms of the grants.

Functional Expenses

The cost of providing program and other activities have been summarized on a functional basis (See statements of functional expenses). Accordingly, costs are assigned to program or supporting services based on function codes determined by management, as allowed per the Louisiana Accounting and Uniform Governmental Handbook.

For 2024, management elected to change the allocation method for certain costs, including amortization, interest, and deprecation. These costs are now allocated based on the square footage of the school facility utilized for program and supporting activities. This change was implemented to more accurately reflect the usage of the newly acquired school facility, which is used 90% for program activities.

Property and Equipment

Property and equipment are recorded at cost. The Academy capitalizes all expenditures for leasehold improvements and equipment in excess of $5,000. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis upon the following estimated useful lives: Building – 35 years, building improvements – 5 years and equipment – 5 years.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-02, Leases (Topic 842). Under this accounting standard, lessees are required to recognize a right of use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability is equal to the present value of lease payments. The asset is based on the liability, subject to certain adjustments, such as for initial direct costs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Pronouncements – Continued

For statement of activities purposes, a dual model was retained, requiring leases to be classified as either operating or financing leases. Operating leases result in straight-line expense (similar to operating leases under the prior accounting standard), while financing leases result in a front-loaded expense pattern (similar to capital leases under the prior accounting standard).

The Academy adopted this new accounting standard on July 1, 2022 on a modified retrospective basis and applied the standard to all leases. The Academy elected the package of practical expedients permitted under the transition guidance within the new standard, which includes, among other things, the ability to carry forward the existing lease classification. No adjustment to beginning net assets was required upon implementation. The new standard had a material impact on the Academy's statement of financial position and operating results and had no impact on the Academy's cash flows.

In June 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). Under this accounting standard, the incurred loss impairment methodology in current GAAP is replaced with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Academy adopted this new accounting standard on July 1, 2023. Adoption of this standard did not have a significant impact on the financial statements.

Right of Use Asset and Lease Liability

The Academy determines if an arrangement contains a lease at the inception of a contract. Right of use asset represents the Academy's right to use an underlying asset for the lease term and lease liability represents the Academy's obligation to make lease payments arising from the lease. The right of use asset and lease liability are recognized at the commencement date of the lease, renewal date of the lease or significant remodeling of the lease space based on the present value of the remaining future minimum lease payments. As the interest rate implicit in the Academy's lease is not readily determinable, the Academy utilizes the risk-free rate, determined by class of underlying asset, to discount the lease payments.

The Academy's school facility and related furniture and equipment lease does not contain options that permit renewals for additional periods. Leases with an initial term of 12 months or less are not recorded on the statement of financial position, and lease expense is recognized on a straight-line basis over the term of the short-term lease.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Long-Term Obligations, Bond Issuance Costs, and Original Issue Bond Discount

Long-term obligations include revenue bonds issued to finance the purchase of the school facility. The Academy capitalizes debt issuance costs and original issue discounts and presents them as a direct deduction from the carrying amount of the related debt liability. These amounts are amortized over the term of the related debt using the effective interest rate method. Unamortized balances are presented net against the related bonds payable.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of cash deposits. The Academy at times has cash on deposit at financial institutions that is in excess of federally insured limits. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Academy has not experienced any losses in such accounts. The Academy has no policy requiring collateral or other security to support its deposits.

The total bank balances of cash were $6,109,933 and $2,813,699, of which $5,859,933 and $2,561,366 was uninsured for the years ended June 30, 2024 and 2023, respectively. Restricted cash and cash equivalents balances were not covered by FDIC insurance.

NOTE 3 – CONCENTRATIONS

The Academy receives a significant portion of its support from the MFP. Management is not aware of any actions that will significantly affect the amount of funds the Academy will receive in future years. Approximately 68% and 72% of total revenue was received from the MFP program during the years ended June 30, 2024 and 2023, respectively.

NOTE 4 – INCOME TAX STATUS

The Academy received a tax-exempt ruling under Section 501(c)(3) from the Internal Revenue Service, and accordingly, is not subject to federal income tax unless the Academy has unrelated trade or business income. Management believes there are no uncertain tax positions. As of June 30, 2024, the Academy had three years of tax returns open for review by the IRS. The years 2023, 2022, and 2021 are included within the 3-year statute of limitations for IRS review. As of the date of the audit report, the Academy has not filed its tax return for the year ended June 30, 2024.

NOTE 5 – EMPLOYEE BENEFIT PLAN

The Academy sponsors a defined contribution plan (the Plan) for all employees qualified under Section 403(b) of the Internal Revenue Code. Contributions to the Plan by the Academy are based on the participants' contributions. The Academy pays expenses associated with the administration of the Plan. The Academy expensed contributions to the Plan totaling $38,867 and $36,025 during the years ended June 30, 2024 and 2023, respectively.

NOTE 6 – LEASE COMMITMENTS – 2023

The Academy entered into a build-to-suit lease agreement with RJ Jefferson Parish 1, LLC, a related party, as described in NOTE 11, for its school facility and related furniture and equipment in Terrytown, Louisiana, expiring August 2043. On July 8, 2020, the lease was amended to include the installation of portable buildings which increased the fixed monthly payment.

Upon the seventh anniversary of the lease inception date, and on each anniversary of the inception date thereafter, base rent would increase by an amount equal to two and one-half percent (2.5%) more than the base rent payable during the immediately preceding lease year.

The school facility lease agreement had a purchase option that could be exercised as of the fifth anniversary of the inception date and would terminate upon the eighth anniversary of the inception date. Purchase price options are as follows: "The purchase price for the premises shall be equal to the capitalized value of the base rent to be in effect in the lease year following the date of the closing, calculated with a seven and one-half percent (7.5%) cap rate (the "Option Price")." This purchase option was exercised during the year ended June 30, 2024. See NOTE 8.

The Academy adopted ASU 2016-02, Leases (Topic 842) on July 1, 2022 on a modified retrospective basis with regard to this lease agreement. As a result, disclosures as of and for the year ended June 30, 2023 are reported under ASC 842 as follows:

The following table is a summary of the components of net lease costs for the year ended June 30, 2023:

Financing lease costs:	
Amortization – right of use asset	$ 1,820,213
Interest on lease liability	1,249,234
Total financing lease costs	$ 3,069,447

Supplemental cash flow information related to lease for the year ended June 30, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liability:

Financing cash flows paid for principal portion of financing lease	$	765,058
Right of use asset obtained in exchange for lease liability: financing lease	$	38,376,147

Supplemental statement of financial position information related to lease as of June 30, 2023 is as follows:

Financing lease:		
Right of use asset, gross	$	38,376,147
Right of use asset, accumulated amortization		(1,820,213)
Total right of use asset - financing, net	$	36,555,934

NOTE 6 – LEASE COMMITMENTS – 2023 – Continued

Current portion of lease liability - financing	$	839,824
Lease liability – financing, less current portion		36,771,264
Total lease liability - financing	$	37,611,088

Weighted average remaining lease term (in years):	
Financing lease	20.08
Weighted average discount rate:	
Financing lease	3.35%

The following table summarizes the maturity of the lease liability under financing lease as of June 30, 2023:

		Financing Lease
2024	$	2,062,557
2025		2,114,121
2026		2,166,974
2027		2,221,148
2028		2,276,677
Thereafter		41,845,827
Total lease payments		52,687,304
Less: imputed interest		(15,076,216)
Total lease liabilities	$	37,611,088

NOTE 7 – BONDS PAYABLE

During the year ended June 30, 2024, the Louisiana Public Facilities Authority issued Series 2024A, two tax-exempt revenue bonds, and Series 2024B, a taxable revenue bond, on behalf of the Academy to finance the purchase of the leased school facility.

		Par Value		Original Bond Issue Discount	Maturity	Interest rate
Series 2024A	$	15,630,000	$	(467,320)	June 1, 2054	7.375%
Series 2024A		16,000,000		(478,383)	June 1, 2059	7.500%
Series 2024B		485,000		-	June 1, 2027	8.000%
Totals	$	32,115,000	$	(945,703)		

The bonds are secured by a first mortgage lien on the school facility and a security interest in certain revenues of the Academy. Additionally, under the agreement, the Academy is required to maintain a minimum debt service coverage ratio of 1.10 and ensure 45 days of cash on hand starting from June 30, 2025 as well as certain cash restrictions. The Academy maintains compliance with all covenants stipulated in the agreement, including financial reporting requirements and limitations on additional indebtedness.

NOTE 7 – BONDS PAYABLE – Continued

Interest payments are due monthly, beginning on March 31, 2024. Principal repayments commence on June 1, 2025. The bonds include the following call provisions, Series 2024A can be redeemed starting June 1, 2033, at par value, and Series 2024B is callable at any time without penalty.

The proceeds from the bond issuance was $31,169,297 after deducting original bond issue discount of $945,703. There were associated debt issuance costs of $1,057,271, of which $613,496 was allocated to Series 2024A and $443,785 was allocated to Series 2024B. These costs are amortized over the bond terms using the effective interest rate method. Amortization for the year ended June 30, 2024 totaled $10,767 for original issue discount and $25,269 for debt issuance costs.

At June 30, 2024, scheduled principal repayments and carrying amount are as follows:

Fiscal Year Ending June 30	Principal Amount	
2025	$	210,000
2026		230,000
2027		245,000
2028		265,000
2029		285,000
Thereafter		30,880,000
Total principal amount		32,115,000
Less: original bond issue discount, net of amortization		(934,936)
Less: debt issuance costs, net of amortization		(1,032,002)
Bonds payable, net	$	30,148,062

NOTE 8 – LEASE TERMINATION AND BUILDING PURCHASE

In February 2024, the Academy issued bonds through Louisiana Public Facilities Authority, see NOTE 7, to finance the purchase of the school facility previously leased under a long-term financing lease agreement. This transaction resulted in the termination of the lease. Upon termination, the Academy derecognized the right-of-use asset and lease liability associated with the lease, resulting in a gain on termination of lease of $1,698,257 on the statement of activities and changes in net assets.

The gain on lease termination was calculated as the net difference between the carrying amount of the lease liability – financing of $37,081,716 and the right of use asset – financing of $35,383,459 at the termination date. The total purchase price of the school facility was $27,500,755 which has been recognized as a building of $25,852,692 and land of $1,648,063 in property and equipment, net on the statement of financial position. (See NOTE 11)

NOTE 9 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at June 30, 2024 and 2023.

	2024	2023
Cash	$ 6,109,933	$ 2,813,699
Grants receivable	555,167	3,004,879
Financial assets available to meet general expenditures within one year	$ 6,665,100	$ 5,818,578

Certain assets have been deemed to not likely be converted into cash within one year and therefore, are not available to be used to satisfy general expenditures in the following year.

The Academy maintained a $200,000 line of credit with a related party, as discussed in more detail in NOTE 11. The full line of credit was available as of June 30, 2023. This line of credit has expired and was not renewed for the year ended June 30, 2024.

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Land	$ 1,648,063	$ -
Building	25,852,692	-
Building Improvements	24,695	24,695
Equipment	48,804	48,804
Less: Accumulated Depreciation	(329,456)	(6,987)
Net Book Value	$ 27,244,798	$ 66,512

Depreciation expense was $322,469 and $6,987 for the years ended June 30, 2024 and 2023, respectively.

NOTE 11 – RELATED PARTIES

The Academy entered into a master school services agreement effective beginning July 1, 2018, with School Model Support, L.L.C., dba Athlos Academies, to provide education, performance character, health and fitness programs, and school opening and ongoing management services. In addition, included in this agreement, the Academy is provided a trademark license agreement, which provides the Academy the right to use the Athlos Academies' logo. The Academy entered into a new five year master service agreement effective beginning September 11, 2021, with School Model Support, L.L.C. dba Athlos Academies. The agreement is for a term of five years and will expire on the fifth anniversary of the term commencement date.

NOTE 11 – RELATED PARTIES – Continued

The Academy recognized management services expense of $2,204,906 and $2,264,287 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023 the Academy had a remaining balance due to School Model Support, L.L.C. of $438,647 and $560,965, respectively.

The Academy entered into a facility lease agreement with RJ Jefferson Parish I, LLC, a related party with ownership similar to Athlos Academies, to rent school facilities. This was recorded as a financing lease at June 20, 2023 and is described in NOTE 6. This lease was terminated and the school facility was purchased during fiscal year 2024, see NOTE 8. At June 30, 2024 and 2023, the Academy had a balance due to RJ Jefferson Parish I, LLC of $0 and $5,199, respectively.

The Academy entered into an agreement with Athlos Academies, Partner/National Affiliate, to provide a line of credit up to $200,000 through July 31, 2023, with a 0 % interest rate. The unpaid principal balance was $0 at June 30, 2023. This line of credit has expired and was not renewed.

NOTE 12 – CONTINGENCIES

The continuation of the Academy is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

The current charter contract for the Academy was approved by BESE through June 30, 2026. The continuation of the Academy is also contingent on BESE's renewal of a charter contract after the June 30, 2026 expiration date.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which corresponds with the date of the Independent Auditors' Report.

No material subsequent events have occurred since June 30, 2024 that required recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

KUSHNER
LAGRAIZE, LLC
CPAs & CONSULTANTS

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*

The Board of Directors of
Athlos Academy of Jefferson
Terrytown, Louisiana

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 Athlos Academy of Jefferson (the Academy), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, 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 December 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Athlos Academy of Jefferson'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 Athlos Academy of Jefferson's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Athlos Academy of Jefferson'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 instance 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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
December 11, 2024

KUSHNER
LAGRAIZE, LLC
CPAs & CONSULTANTS

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

The Board of Directors of
Athlos Academy of Jefferson
Terrytown, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Athlos Academy of Jefferson's (the Academy) 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 Academy's major federal programs for the year ended June 30, 2024. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Athlos Academy of Jefferson 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 Academy'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 Academy's federal programs.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy'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 Academy'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 Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
December 11, 2024

ATHLOS ACADEMY OF JEFFERSON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Grantor/Program Title	Federal AL Number	Award Number	Federal Expenditures
U.S. Department of Education			
Passed through State of Louisiana Department of Education:			
Special Education Cluster			
IDEA Part B - Special Education Grants to States	84.027A	2023 - 2024	$ 275,550
Total Special Education Cluster			275,550
Title I, Part A - Grants to Local Educational Agencies	84.010/84.010A	2023 - 2024	842,894
Title II, Part A – Supporting Effective Instruction State Grants	84.367A	2023 - 2024	84,895
Title III - English Language Acquisition Grants	84.365A	2023 – 2024	13,786
Title IV, Part A – Student Support and Academic Enrichment Program	84.424A	2023 – 2024	7,928
COVID-19 Education Stabilization Fund - ARP ESSER Fund	84.425U	2021 - 2024	1,711,081
Total for U.S. Department of Education			2,660,584
U.S. Department of Agriculture			
Passed through State of Louisiana Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	2023 - 2024	972,867
COVID-19 Supply Chain Assistance Grant	10.555	2023 - 2024	35,256
Total Child Nutrition Cluster			1,008,123
Total for U.S. Department of Agriculture			1,008,123
United States Department of Homeland Security			
Passed through the Governor's Office of Homeland Security and Emergency Preparedness:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-LA-4611 PW 552861	105,137
Total for Department of Homeland Security			105,137
Total Federal Expenditures			$ 4,049,394

The accompanying notes are an integral part of this schedule.

ATHLOS ACADEMY OF JEFFERSON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Athlos Academy of Jefferson and is presented on the modified accrual basis of accounting. 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 Academy, it is not intended to and does not present the financial position and changes in net assets of the Academy. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – DETERMINATION OF TYPE A AND TYPE B PROGRAMS

Federal award programs are classified as either Type A or Type B programs. For the year ended June 30, 2024, Type A programs consisted of the federal programs that expended over $750,000 and Type B programs are the programs that expended under $750,000.

NOTE 3 – DE MINIMIS COST RATE

During the year ended June 30, 2024, the Academy did not elect to use the 10% de minimis cost rate as covered in section 200.414 of the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

The Academy did not pass-through any of its federal awards to a subrecipient during the year ended June 30, 2024.

NOTE 5 – NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the year ended June 30, 2024.

NOTE 6 – PRIOR YEAR FEMA EXPENDITURES

Of the $4,049,394 reported on 2024 Schedule of Expenditures of Federal Awards, the entire amount under Assistance Listing number 97.036 ($105,137) was incurred in prior years.

ATHLOS ACADEMY OF JEFFERSON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? __Yes _X_ No
- Significant deficiency(ies) identified? __Yes _X_ None reported

Noncompliance material to financial statements noted? __ Yes _X_ No

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified? __Yes _X_ No
- Significant deficiency(ies) identified? __Yes _X_ None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? __Yes _X_ No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.010	Title 1, Part A – Grants to Local Educational Agencies
84.425	COVID-19 Education Stabilization Fund - ARP ESSER Fund

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee Qualified as Low-Risk Auditee? __ Yes _X_ No

2. FINANCIAL STATEMENT FINDINGS

None noted.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

ATHLOS ACADEMY OF JEFFERSON

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

1. FINANCIAL STATEMENT FINDINGS

2023-001 - Resolved

2. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

3. MEMORANDUM OF ADVISORY COMMENTS

None

ATHLOS ACADEMY OF JEFFERSON

SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD FOR THE YEAR ENDED JUNE 30, 2024

Cheryl Martin, Executive Director:

Purpose:		
Salary	$	60,992
Benefits		5,459
Seminar expenses		67
Total	$	66,518

ATHLOS ACADEMY OF JEFFERSON

SCHEDULE OF BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2024

Board Member	Compensation	
Janine Holmes, Board Chair	$	-
Vasy McCoy, Vice Chair		-
Nakeveya Anthony, Treasurer		-
Tiffany Burns, Secretary		-
Phillip Boutte, Board Member		-
Andres Acuna, Board Member		-
Mike Caparotta, Board Member		-
Jada Washington, Board Member		-
Jaquetta Wright, Board Member		-
Nick Berg, Board Member*		-
Harvey Wier, Board Member*		-
Elydia Ketchens, Board Member*		-
Karen Chambers, Board Member*		-
Tiffany Nelson, Board Member*		-
Niara Woods, Board Member*		-
Tenisha Thompson, Board Member*		-

**Former board member who was active during the year ended June 30, 2024.*