HEBREW LANGUAGE ACADEMY CHARTER SCHOOL 2

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2026
(With Comparative totals for 2025)



CONTENTS

AUDITED FINANCIAL STATEMENTS	PAGE
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	10
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	23
Schedule of Findings and Responses	25

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hebrew Language Academy Charter School 2

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hebrew Language Academy Charter School 2, which comprise the statement of financial position as of June 30, 2026 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hebrew Language Academy Charter School 2 as of June 30, 2026 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hebrew Language Academy Charter School 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hebrew Language Academy Charter School 2's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Canandaigua + Elmira + Latham + Queensbury + Rochester
An Independent Member of the BDO Alliance USA
WE VALUE YOUR FUTURE

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hebrew Language Academy Charter School 2'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 Hebrew Language Academy Charter School 2'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.

Report on Summarized Comparative Information

We have previously audited Hebrew Language Academy Charter School 2's June 30, 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2026 on our consideration of Hebrew Language Academy Charter School 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Hebrew Language Academy Charter School 2's internal control over financial reporting and compliance.

Mengel, Metzger, Barr & Co. LLP

Fairport, New York
October 21, 2026

WE VALUE YOUR FUTURE

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL 2

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2026
(With Comparative Totals For 2025)

ASSETS	June 30, 2026	June 30, 2025
CURRENT ASSETS		
Cash and cash equivalents	$ 2,914,298	$ 2,832,871
Grants and other receivables	1,265,424	498,588
Due from related parties	629,082	375,730
Prepaid expenses	69,354	273,401
TOTAL CURRENT ASSETS	4,878,158	3,980,590
OTHER ASSETS		
Property and equipment, net	739,294	602,997
Deposits	63,430	106,451
Cash in escrow	100,000	100,000
Right-of-use asset - operating	51,480,670	51,897,526
	52,383,394	52,706,974
TOTAL ASSETS	$ 57,261,552	$ 56,687,564
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 383,684	$ 179,677
Accrued payroll and benefits	523,070	393,944
Due to Charter Management Organization, net	138,682	74,160
Due to related parties	-	1,666
Current portion of lease liability - operating	2,701,015	2,812,817
TOTAL CURRENT LIABILITIES	3,746,451	3,462,264
OTHER LIABILITY		
Long-term lease liability - operating	50,717,594	50,284,514
TOTAL LIABILITIES	54,464,045	53,746,778
NET ASSETS		
Without donor restrictions	2,797,507	2,940,786
TOTAL LIABILITIES AND NET ASSETS	$ 57,261,552	$ 56,687,564

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

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL 2

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2026
(With Comparative Totals For 2025)

	Year ended June 30,	
	2026	2025
Operating revenue and support:		
State and local per pupil operating revenue	$ 8,933,242	$ 7,147,165
NYC DOE rental assistance	2,366,715	1,899,782
Governmental grants and contracts	1,679,450	1,300,242
Contributions	391	39,725
Interest income	106,853	90,911
Other revenue	45,949	30,583
TOTAL OPERATING REVENUE AND SUPPORT	13,132,600	10,508,408
Expenses:		
Program services:		
Regular education	8,213,172	8,293,483
Special education	4,258,598	1,832,679
TOTAL PROGRAM SERVICES	12,471,770	10,126,162
Management and general	804,109	994,336
TOTAL OPERATING EXPENSES	13,275,879	11,120,498
CHANGE IN NET ASSETS	(143,279)	(612,090)
Net assets at beginning of year	2,940,786	3,552,876
NET ASSETS AT END OF YEAR	$ 2,797,507	$ 2,940,786

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

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL 2

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2026
(With Comparative Totals For 2025)

		Year ended June 30,					
		2026					2025
		Program Services			Supporting Services		
	No. of positions June 30, 2026	Regular Education	Special Education	Sub-total	Management and General	Total	Total
Personnel services costs:							
Administrative staff personnel	12	$ 640,683	$ 148,965	$ 789,648	$ 271,896	$ 1,061,544	$ 1,104,346
Instructional personnel	53	2,366,774	1,532,636	3,899,410	5,212	3,904,622	2,712,550
Non-instructional personnel	3	49,883	11,598	61,481	-	61,481	-
TOTAL PERSONNEL SERVICES COSTS	68	3,057,340	1,693,199	4,750,539	277,108	5,027,647	3,816,896
Fringe benefits & payroll taxes		742,072	410,971	1,153,043	67,259	1,220,302	1,002,113
Retirement		73,003	40,430	113,433	6,617	120,050	61,648
Management company fees		586,641	324,890	911,531	53,171	964,702	735,658
Legal services		-	-	-	25,673	25,673	44,522
Accounting / audit services		26,878	14,886	41,764	118,255	160,019	158,521
Other purchased / professional / consulting services		222,853	112,006	334,859	16,979	351,838	294,297
Occupancy		2,083,367	1,153,799	3,237,166	188,830	3,425,996	3,420,473
Repairs and maintenance		10,446	5,785	16,231	947	17,178	35,723
Insurance		75,068	41,574	116,642	6,804	123,446	10,046
Utilities		3,957	2,191	6,148	359	6,507	9,747
Supplies / materials		151,698	35,271	186,969	-	186,969	152,039
Equipment / furnishings		33,013	18,283	51,296	2,992	54,288	38,626
Staff development		100,108	24,204	124,312	262	124,574	99,325
Marketing / recruitment		33,859	18,577	52,436	3,020	55,456	56,848
Technology		144,723	77,888	222,611	12,479	235,090	238,452
Food service		418,879	97,393	516,272	-	516,272	375,950
Student service		169,203	39,367	208,570	7	208,577	195,264
Office expense		56,910	30,196	87,106	4,785	91,891	94,563
Depreciation and amortization		204,769	113,405	318,174	18,560	336,734	279,279
Miscellaneous		18,385	4,283	22,668	2	22,670	508
		$ 8,213,172	$ 4,258,598	$ 12,471,770	$ 804,109	$ 13,275,879	$ 11,120,498

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

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL 2

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2026
(With Comparative Totals For 2025)

	Year ended June 30,	
	2026	2025
CASH FLOWS - OPERATING ACTIVITIES		
Change in net assets	$ (143,279)	$ (612,090)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	336,734	279,279
Credit loss expense	22,626	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(789,462)	462,505
Due from related parties	(253,352)	29,451
Prepaid expenses	204,047	(242,668)
Deposits	43,021	(10,660)
Accounts payable and accrued expenses	204,007	(133,841)
Accrued payroll and benefits	129,126	(82,833)
Due to Charter Management Organization, net	64,522	20,149
Due to related parties	(1,666)	(327,407)
Operating lease liability, net of right of use asset	738,134	957,333
NET CASH PROVIDED FROM OPERATING ACTIVITIES	554,458	339,218
CASH FLOWS - INVESTING ACTIVITIES		
Purchases of property and equipment	(473,031)	(305,758)
NET CASH USED FOR INVESTING ACTIVITIES	(473,031)	(305,758)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	81,427	33,460
Cash, cash equivalents and restricted cash at beginning of year	2,932,871	2,899,411
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 3,014,298	$ 2,932,871

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL 2

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2026
(With Comparative Totals For 2025)

	Year ended June 30,	
	2026	2025
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	$ 2,914,298	$ 2,832,871
Cash in escrow	100,000	100,000
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 3,014,298	$ 2,932,871
NON-CASH OPERATING AND INVESTING ACTIVITIES		
Purchases of property and equipment included in accounts payable and accrued expenses	$ -	$ 1,449
Right-of-use asset obtained in exchange for operating lease liability	$ 1,068,778	$ -

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

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Hebrew Language Academy Charter School 2 (the "Charter School"), is an education corporation operating as a charter school in the Borough of Brooklyn, New York. On November 15, 2016, the Board of Regents of the University of the State of New York, on behalf of the State Education Department, granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. In May 2022, the charter was renewed through June 30, 2025. In April 2025 the charter was renewed through June 30, 2030. The Charter School also received approval from the New York City Department of Education to operate a Pre-K program beginning in Fall 2022.

The Charter School provides students with the academic and personal foundation necessary to successfully pursue advanced studies and achieve continued personal growth as ethical and informed global citizens. In order to accomplish this, the Charter School offers an academically rigorous curriculum which includes daily instruction in the Hebrew language.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School. As of June 30, 2026 and 2025, the Charter School had no board designated funds.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2026 or 2025.

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenues over time as follows:

Per pupil allocation income and students with disabilities revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Rental assistance

Facilities rental assistance funding is provided by the New York City Department of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

Universal Pre-Kindergarten (Pre-K)

Similar to state and local per pupil revenue, the Charter School recognizes Pre-K revenue as educational programming is provided to students throughout the year. The maximum revenue amount is based on a contractually determined fixed amount per student and the number of students enrolled at a point in time. This amount could be further reduced if actual costs incurred in providing the Pre-K program are less than the maximum calculated amount of the contract. Amounts are paid in installments throughout the course of the year, with the final 5% paid upon submission of all required documentation at the end of the contract year.

The amount received for the years ended June 30, 2026 and 2025 was approximately $280,000 and $227,000, respectively.

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2026	2025	2024
Grants and other receivables	$ 602,537	$ 344,815	$ 491,838

Contributions

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

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There were no revenues deferred at June 30, 2026 and 2025. The Charter School received cost-reimbursement grants of approximately $122,400 and $13,300 that have not been recognized at June 30, 2026 and 2025, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to $250,000 at that institution. The Charter School considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Cash in escrow

The Charter School maintains cash in an escrow account, pursuant to its Charter Agreement, to pay off expenses in the event of dissolution of the Charter School. The amount in escrow was $100,000 at both June 30, 2026 and 2025.

Grants and other receivables

At each fiscal year end, the Charter School evaluates the need for an expected allowance for credit losses for all outstanding balances that fall under ASU 2014-09. The allowance for credit losses is calculated on a pooled basis where similar risk characteristics exist.

The Charter School uses historical loss data as a starting point to estimate expected credit losses and adjusts that information, as necessary, based on management's assessment of current conditions, which management has elected to assume will remain consistent for the expected life of the receivables. There were $22,626 in write-offs for the year ended June 30, 2026. There were no write-offs for the year ended June 30, 2025.

Due from related parties

The Charter School has an amount due from other charter schools that are in the same network at June 30, 2026 and 2025. One of the related parties receives meal subsidies from the federal and state governments on behalf of the Charter School. The amounts due were approximately $128,000 and $126,000 at June 30, 2026 and 2025, respectively. Additionally, the charter schools share other services in which the related parties reimburse the Charter School for these expenses. There was no amount due for this at June 30, 2026. The amount due was approximately $1,400 at June 30, 2025. Further, approximately $500,800 and $248,500 is due from Friends of Hebrew Language Academy Charter Schools 2, Inc. for grants and other reimbursements at June 30, 2026 and 2025, respectively.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives which range from three to seven years. Leasehold improvements are amortized over the lesser of their useful life or the remaining term of the lease.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation or amortization are removed from the accounts and the related gain or loss is reflected in operations.

Due to related parties

The Charter School has amounts due to other charter schools in the same network. The charter schools shared staff support, in which the Charter School reimburses the related parties for the expenses. There were no amounts due to related parties at June 30, 2026. The amount due was approximately $1,700 at June 30, 2025.

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant at which time it is recognized as revenue.

Leases

The Charter School leases its school facility and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) asset, current liabilities and other liability on the accompanying statement of financial position. There were no finance leases at June 30, 2026 and 2025.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files tax returns in various jurisdictions and is subject to potential examination by taxing authorities. The Charter School's current and prior three years tax returns remain subject to review by taxing authorities. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received donated transportation services, special education teacher support services, and speech, occupational and physical therapy services that were provided for the students from the local district. The Charter School was unable to determine a value for these services.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated $55,000 and $57,000 for the years ended June 30, 2026 and 2025, respectively.

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Use of estimates in the preparation of financial statements

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2025

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2025, from which the summarized information was derived.

Accounting Impact of COVID-19 Outbreak

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School did not recognize any revenue relative to ESSER grants during the year ended June 30, 2026. The Charter School recognized $200,817 of revenue relative to ESSER grants during the year ended June 30, 2025.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 21, 2026, which is the date the financial statements are available to be issued. See Note C.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash and cash equivalent accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and cash equivalents and shows positive cash generated by operations for fiscal years 2026 and 2025.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	June 30,	
	2026	2025
Cash and cash equivalents	$ 2,914,298	$ 2,832,871
Grants and other receivables	1,265,424	498,588
Due from related parties	629,082	375,730
Total financial assets available to management for general expenditures within one year	$ 4,808,804	$ 3,707,189

NOTE C: LEASES

Friends of Hebrew Language Academy Charter Schools 2, Inc. (FoHLA2), a related party formed to hold the lease of the facility the Charter School will occupy, entered into a lease agreement with a third party commencing on July 1, 2023. The Charter School paid the required security deposit of $58,430 on behalf of FoHLA2 which is included in deposits on the accompanying statement of financial position at both June 30, 2026 and 2025. In May 2023, the Charter School signed a new lease agreement with FoHLA2 for the same space previously occupied. The new agreement commenced on July 1, 2023 and expires June 30, 2028. Effective July 1, 2024, the lease was terminated as the Charter School moved into a new facility as described below.

In September 2020, FoHLA2 entered into a lease agreement with a third party for a new facility that the Charter School now occupies. On March 19, 2024, the Charter School entered into a sublease agreement for this facility with FoHLA2 through June 30, 2057.

In May 2025, the lease agreement was amended to update the monthly payment terms from July 1, 2025 to June 30, 2026 to be $234,401. In July 2025, the lease agreement was amended to update the monthly payment terms from July 1, 2025 to June 30, 2026 to be $242,405. Subsequently, in January 2026, the lease amendment was amended to update the monthly payment terms from January 1, 2026 to June 30, 2026 to be $205,572.

In July 2026, the lease agreement with FoHLA2 was amended to update the monthly payment terms from July 1, 2026 to June 30, 2027 to be $294,675.

FoHLA2 leases the facility from a third party through June 30, 2058. The Charter School guarantees this lease.

The future minimum payments to be made by FoHLA2 are as follows:

Year ending June 30,	Amount
2027	$ 2,912,000
2028	2,970,240
2029	2,655,591
2030	2,708,703
2031	2,762,877
Thereafter	99,605,042
	$ 113,614,453

NOTE C: LEASES, Cont'd

A summary of the lease right-of-use asset and liability is as follows:

	Statement of Financial Position Classification	June 30, 2026	June 30, 2025
Assets			
Right-of use asset - operating	Other Assets	$ 51,480,670	$ 51,897,526
Liabilities			
Lease liability - operating	Current liabilities	$ 2,701,015	$ 2,812,817
Long-term lease liability - operating	Other liability	50,717,594	50,284,514
		$ 53,418,609	$ 53,097,331

The components of lease expense were as follows:

	Year ended June 30, 2026	Year ended June 30, 2025
Operating lease expense	$ 3,425,996	$ 3,420,473

As of June 30, 2026 minimum payments due for the lease liability are as follows:

Year ending June 30,	Amount
2027	$ 2,701,015
2028	2,826,094
2029	2,870,886
2030	2,937,304
2031	2,979,550
Thereafter	93,720,244
Total undiscounted cash flows	108,035,093
Less: present value discount	(54,616,484)
Total lease liability	$ 53,418,609

NOTE C: LEASES, Cont'd

Supplemental information is as follows:

	Year ended June 30,	
	2026	2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating leases	$ 2,687,862	$ 2,463,139
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Operating leases	$ 1,068,778	$ -
Weighted-average remaining lease term:		
Operating leases	31 years	32 years
Weighted-average discount rate:		
Operating leases	4.84%	4.92%

NOTE D: RETIREMENT PLAN

The Charter School has a defined contribution retirement plan which covers substantially all full-time employees. The Charter School contributes a dollar-to-dollar match up to 3% of the employees' compensation. During the years ended June 30, 2026 and 2025, the Charter School contributed $119,775 and $60,522, respectively, for the employer match. There were $275 and $1,126 of administrative fees paid by the Charter School related to the Plan for the years ended June 30, 2026 and 2025, respectively.

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE F: CONCENTRATIONS

At June 30, 2026 and 2025, approximately 48% and 70%, respectively, of grants and other receivables are due from New York City Department of Education relating to certain grants.

For both of the years ended June 30, 2026 and 2025, 68% of total operating revenue and support came from per-pupil funding provided by New York City Department of Education. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2026	June 30, 2025
Furniture, fixtures and equipment	$ 1,875,625	$ 1,402,594
Leasehold improvements	46,510	46,510
	1,922,135	1,449,104
Less accumulated depreciation and amortization	1,182,841	846,107
	$ 739,294	$ 602,997

NOTE H: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30, 2026	June 30, 2025
Undesignated	$ 2,058,213	$ 2,337,789
Invested in property and equipment	739,294	602,997
	$ 2,797,507	$ 2,940,786

NOTE I: CHARTER MANAGEMENT ORGANIZATION

On June 1, 2017, the Charter School entered into an educational services agreement with a charter management organization, Hebrew Public, to provide expertise necessary to effectively provide essential programming and services to the Charter School. The agreement continued through June 30, 2022. The management fee is 10% of gross revenue per year. In October 2022, the agreement was renewed effective July 1, 2022 through June 30, 2027 with the same percent of gross revenue per year. In August 2025, this agreement was amended to extend the agreement to June 30, 2030 with same percent of gross revenue per year.

For the years ended June 30, 2026 and 2025, the expense amounted to approximately $964,700 and $735,700, respectively. Amounts due to Hebrew Public relating to the management fee were $41,693 and $5,697 at June 30, 2026 and 2025.

At June 30, 2026, $96,989 is due to Hebrew Public for various other expenses for which the Charter School will reimburse Hebrew Public. There are no set repayment terms. As such, a total of $138,682 is shown on the Statement of Financial Position owed to Hebrew Public.

At June 30, 2025, $181,167 was due to Hebrew Public for various other expenses for which the Charter School will reimburse Hebrew Public. Further, $112,704 was due from Hebrew Public for grants that passed through Hebrew Public. Consequently, the Statement of Financial Position reflected a net amount of $74,160 owed to Hebrew Public.

NOTE J: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated among programs and supporting functions are generally based on estimates of time and effort. During the current year, management revised certain allocation methodologies to better reflect actual resource utilization. Management believes this provides a more representative basis for assigning costs to programs and supporting services.

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL 2

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Trustees
Hebrew Language Academy Charter School 2

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Hebrew Language Academy Charter School 2, which comprise the statement of financial position as of June 30, 2026 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 October 21, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hebrew Language Academy Charter School 2's internal control over financial reporting (internal control) as a basis for designing 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 Hebrew Language Academy Charter School 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Hebrew Language Academy Charter School 2'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hebrew Language Academy Charter School 2'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2026-001.

Purpose of This Report

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

Mengel, Metzger, Barr & Co. LLP

Fairport, New York
October 21, 2026

WE VALUE YOUR FUTURE

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL 2

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2026

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2026-001

Statement of condition

During our audit, we noted the Charter School did not adhere to the terms of their charter agreement as the Charter School's enrollment fell below 85% of the projected enrollment for the 2025-2026 academic year and written approval from NYSED was not obtained.

Criteria and effect of conditions

During our audit, we noted the Charter School's charter agreement requires the Charter School to obtain written approval from NYSED prior to commencing or continuing instruction when the total number of students enrolled is less than 85% of the projected enrollment for a given academic year. We noted the Charter School's enrollment was 81% of the projected enrollment for the 2025-2026 academic year.

Recommendation

We recommend the Charter School obtain written approval from NYSED if enrollment falls below 85% of projected enrollment for a given academic year.

Management response

The Charter School was in communication with NYSED about its enrollment; however, it will ensure to receive written approval should enrollment fall below 85% in future years.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2025-001

Statement of condition

During our audit, we noted the Charter School did not adhere to the terms of their charter agreement as the Charter School's enrollment fell below 85% of the projected enrollment for the 2024-2025 academic year and written approval from NYSED was not obtained.

Criteria and effect of conditions

During our audit, we noted the Charter School's charter agreement requires the Charter School to obtain written approval from NYSED prior to commencing or continuing instruction when the total number of students enrolled is less than 85% of the projected enrollment for a given academic year. We noted the Charter School's enrollment was 78% of the projected enrollment for the 2024-2025 academic year.

Recommendation

We recommend the Charter School obtain written approval from NYSED if enrollment falls below 85% of projected enrollment for a given academic year.

Management response

The Charter School was in communication with NYSED about its enrollment; however, it will ensure to receive written approval should enrollment fall below 85% in future years.

Status as of June 30, 2026

See Finding 2026-001