
THE ACADEMY CHARTER SCHOOL

Financial Statements and Single Audit

For the years ended June 30, 2021 and 2020

THE ACADEMY CHARTER SCHOOL

Financial Statements

June 30, 2021 and 2020

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Independent Auditors' Report

To the Board of Trustees of
The Academy Charter School
Hempstead, New York

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Other matters

Report on supplementary information required by New York State

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 22 to 27 are required by the New York State Department of Education who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Such information has been subjected to the auditing procedures applied in the audit 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 accompanying supplementary information shown on pages 22 to 27 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of bonds covenants calculations, shown on page 28, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, shown on page 29, as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is also 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 audit 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 October 22, 2021 on our consideration of The Academy Charter School 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Academy Charter School internal control over financial reporting and compliance.

NChing LLP

New York, New York
October 22, 2021

THE ACADEMY CHARTER SCHOOL**Statements of Financial Position**

As of June 30,

	2021	2020
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 9,822,477	\$ 7,309,447
Accounts and grants receivable - net	1,248,677	1,336,393
Due from government agencies	656,675	635,684
Prepaid expenses	48,110	2,467
Total current assets	11,775,939	9,283,991
Property and equipment, net - Note 5	106,898,072	74,368,334
Other assets		
Restricted cash and escrow reserves - Note 4	57,336,887	12,131,193
Security deposits	72,090	192,090
Total assets	<u>\$ 176,082,988</u>	<u>\$ 95,975,608</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts and accrued expenses payable	\$ 4,208,002	\$ 1,550,887
Accrued salaries and other payroll-related expenses	3,434,749	2,407,411
Accrued interest payable	1,971,937	2,371,714
Bonds payable - current portion - Note 6	1,495,000	1,075,000
Loans payable - Note 13	-	2,500,000
Deferred revenue	60,355	74,681
Total current liabilities	11,170,043	9,979,693
Loans payable - long term portion - Note 13	-	4,349,550
Bonds payable (less current portion; net of unamortized deferred financing costs of \$5,286,385 for 2021 and \$3,755,857 in 2020) - Note 6	156,903,343	77,024,143
Total liabilities	168,073,386	91,353,386
Net assets without donor restrictions		
Undesignated	7,826,421	4,440,331
Reserve - contingency	183,181	181,891
Total net assets without donor restrictions	8,009,602	4,622,222
Total liabilities and net assets without donor restrictions	<u>\$ 176,082,988</u>	<u>\$ 95,975,608</u>

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

THE ACADEMY CHARTER SCHOOL
Statements of Activities
For the years ended June 30,

	<u>2021</u>	<u>2020</u>
<u>Operating revenue and other support</u>		
Public school districts		
General education	\$ 44,096,873	\$ 38,730,821
Grants, contracts and other support		
Federal and state grants	7,941,361	2,438,018
Contributions and private grants	2,087,972	510,259
Interest and other income	<u>227,454</u>	<u>559,576</u>
Total operating revenue and other support	<u>54,353,660</u>	<u>42,238,674</u>
<u>Expenses</u>		
Program expenses		
Regular education	37,038,585	31,477,567
Food service	2,295,703	1,913,446
Special education	<u>2,011,949</u>	<u>1,403,461</u>
Total program expenses	41,346,237	34,794,474
Supporting services		
Management and general	<u>9,620,043</u>	<u>6,602,888</u>
Total program and supporting services expenses	<u>50,966,280</u>	<u>41,397,362</u>
Change in net assets	3,387,380	841,312
Net assets without donor restrictions - beginning of year	<u>4,622,222</u>	<u>3,780,910</u>
Net assets without donor restrictions - end of year	<u><u>\$ 8,009,602</u></u>	<u><u>\$ 4,622,222</u></u>

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

THE ACADEMY CHARTER SCHOOL
Statement of Functional Expenses
For the year ended June 30, 2021

	Program expenses				Supporting services	Total program and supporting services
	Regular education	Special education	Food service	Total programs	Management & general	
Salaries						
Administrative staff personnel	\$ 4,864,586	\$ 432,374	\$ -	\$ 5,296,960	\$ 1,455,286	\$ 6,752,246
Instructional personnel	13,687,979	458,522	-	14,146,501	-	14,146,501
Noninstructional personnel	317,370	-	667,777	985,147	2,997,219	3,982,366
Total salaries	18,869,935	890,896	667,777	20,428,608	4,452,505	24,881,113
Operating expenses						
Payroll taxes and fringe benefits	3,994,597	188,707	141,059	4,324,363	941,593	5,265,956
Retirement benefits	398,862	18,844	14,083	431,789	94,012	525,801
Financial and administrative	-	-	-	-	616,644	616,644
Administrative	148,498	6,995	-	155,493	40,476	195,969
Marketing and recruitment	131,009	6,245	-	137,254	34,873	172,127
Insurance	730,949	34,721	-	765,670	195,967	961,637
Legal and professional	647,612	31,011	-	678,623	516,845	1,195,468
Repairs and maintenance	1,023,826	47,876	37,481	1,109,183	245,536	1,354,719
Equipment leasing and maintenance	1,081,092	50,931	-	1,132,023	294,592	1,426,615
Staff development	342,559	16,371	-	358,930	90,715	449,645
Food costs	-	-	1,071,070	1,071,070	-	1,071,070
Student services and related activities	329,285	117,195	-	446,480	-	446,480
Supplies and instructional materials	623,303	29,313	-	652,616	170,423	823,039
Telephone and internet services	400,922	18,888	-	419,810	109,240	529,050
Occupancy	569,722	26,113	-	595,835	163,440	759,275
Other expenses	272,046	13,009	9,179	294,234	62,773	357,007
Interest expense - facilities loans	3,901,350	312,108	208,072	4,421,530	780,270	5,201,800
Interest expense - equipment lease	5,471	438	292	6,201	1,094	7,295
Depreciation	2,517,064	118,250	90,664	2,725,978	598,949	3,324,927
Amortization	1,050,483	84,038	56,026	1,190,547	210,096	1,400,643
Total operating expenses	18,168,650	1,121,053	1,627,926	20,917,629	5,167,538	26,085,167
Total expenses	\$ 37,038,585	\$ 2,011,949	\$ 2,295,703	\$ 41,346,237	\$ 9,620,043	\$ 50,966,280

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

THE ACADEMY CHARTER SCHOOL
Statement of Functional Expenses
For the year ended June 30, 2020

	Program expenses			Supporting services	Total program and supporting services	
	Regular education	Special education	Food service	Total programs	Management & general	
Salaries						
Administrative staff personnel	\$ 4,093,015	\$ 356,241	\$ -	\$ 4,449,256	\$ 1,185,488	\$ 5,634,744
Instructional personnel	11,504,583	207,908	-	11,712,491	-	11,712,491
Noninstructional personnel	179,115	-	780,504	959,619	1,705,945	2,665,564
Total salaries	15,776,713	564,149	780,504	17,121,366	2,891,433	20,012,799
Operating expenses						
Payroll taxes and fringe benefits	3,442,825	122,968	170,359	3,736,152	631,155	4,367,307
Retirement benefits	302,668	10,822	14,974	328,464	55,472	383,936
Financial and administrative	274,483	21,959	-	296,442	267,964	564,406
Administrative	185,825	6,468	-	192,293	43,519	235,812
Marketing and recruitment	151,283	5,742	-	157,025	34,704	191,729
Insurance	622,902	22,853	-	645,755	144,094	789,849
Legal and professional	526,958	19,705	-	546,663	534,956	1,081,619
Repairs and maintenance	796,820	26,715	39,860	863,395	148,300	1,011,695
Equipment leasing and maintenance	901,552	32,047	-	933,599	210,121	1,143,720
Staff development	315,898	10,553	-	326,451	74,655	401,106
Food costs	-	-	609,399	609,399	-	609,399
Student services and related activities	516,871	138,502	-	655,373	-	655,373
Supplies and instructional materials	656,926	22,665	-	679,591	154,152	833,743
Telephone and internet services	262,044	9,448	-	271,492	60,870	332,362
Occupancy	996,981	32,463	-	1,029,444	236,892	1,266,336
Other expenses	218,541	8,061	10,751	237,353	39,745	277,098
Interest expense - facilities loans	3,353,783	268,303	178,868	3,800,954	670,757	4,471,711
Interest expense - equipment lease	5,505	440	294	6,239	1,101	7,340
Depreciation	2,058,452	70,755	102,542	2,231,749	380,891	2,612,640
Amortization	110,537	8,843	5,895	125,275	22,107	147,382
Total operating expenses	15,700,854	839,312	1,132,942	17,673,108	3,711,455	21,384,563
Total expenses	\$ 31,477,567	\$ 1,403,461	\$ 1,913,446	\$ 34,794,474	\$ 6,602,888	\$ 41,397,362

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

THE ACADEMY CHARTER SCHOOL

Statements of Cash Flows

For the years ended June 30,

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 3,387,380	\$ 841,312
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,324,927	2,612,640
Amortization of debt issuance costs	1,400,643	147,382
Forgiveness of debt	(4,849,550)	-
Changes in operating assets and liabilities		
Accounts and grants receivable	87,716	269,389
Due from government agencies	(20,991)	(111,108)
Security deposits	120,000	(9,745)
Prepaid expenses	(45,643)	14,951
Accounts and accrued expenses payable	2,657,115	(2,113,992)
Accrued salaries and other payroll-related expenses	1,027,338	557,940
Accrued interest payable	(399,777)	(26,980)
Deferred revenue	(14,326)	(65,239)
Net cash provided by operating activities	<u>6,674,832</u>	<u>2,116,550</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	<u>(35,854,665)</u>	<u>(9,327,960)</u>
Net cash used in investing activities	<u>(35,854,665)</u>	<u>(9,327,960)</u>
Cash flows from financing activities		
Payments on bonds payable	(1,225,000)	(910,000)
Refunded bonds	(21,975,000)	-
Proceeds from bonds issuance	102,098,557	-
Draws on line of credit	-	1,950,000
Payments on line of credit	-	(2,600,000)
Proceeds from loans	-	6,349,550
Repayments of loans	(2,000,000)	-
Obligations under capital leases	<u>-</u>	<u>(13,282)</u>
Net cash provided by financing activities	<u>76,898,557</u>	<u>4,776,268</u>
Net increase/(decrease) in cash, cash equivalents, and restricted cash	47,718,724	(2,435,142)
Cash, cash equivalents, and restricted cash - beginning of year	<u>19,440,640</u>	<u>21,875,782</u>
Cash, cash equivalents, and restricted cash - end of year	<u><u>\$ 67,159,364</u></u>	<u><u>\$ 19,440,640</u></u>
Supplemental cash flow disclosures		
Interest paid	<u>\$ 6,880,610</u>	<u>\$ 5,623,923</u>
Interest capitalized	<u>\$ 2,240,268</u>	<u>\$ -</u>
Reconciliation of cash, cash equivalents and restricted cash balances:		
Cash and cash equivalents	\$ 9,822,477	\$ 7,309,447
Restricted cash and escrow reserves:		
Restricted cash – contingency	183,181	181,891
Restricted cash – held by trustee	39,547,346	3,268,616
Interest reserve	5,229,230	1,717,263
Debt Service	12,177,107	6,874,270
Repairs and replacement	<u>200,023</u>	<u>89,153</u>
Total restricted cash and escrow reserves	<u>57,336,887</u>	<u>12,131,193</u>
Total cash, cash equivalents and restricted cash	<u><u>\$ 67,159,364</u></u>	<u><u>\$ 19,440,640</u></u>

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

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2021 and 2020

Note 1 Organization

The Academy Charter School (“TACS”), a 501(c)(3) tax-exempt organization, is a public charter school located in Hempstead, New York. The School opened in February 2009 and commenced operating classes for kindergarten through second grade in September 2009, and added third through eleventh grade classes in 2010 through 2019. In fiscal year 2020, TACS added twelfth grade reaching full capacity during the 2019-20 school year. The TACS charter was renewed in 2019 for an additional five years. The mission of TACS is to offer an interdisciplinary curriculum in a technology-rich environment that challenges students to explore connections across subjects and use experiential learning to bridge the gaps between theory and practice. Enrollment is open to all potential student candidates, with a preference for those residing in the immediate area.

Effective December 2017, The Academy Charter School – Uniondale location received its charter approval from The State University of New York Charter School Institute. In 2020, The Academy Charter School – Uniondale obtained a charter modification authorizing it to operate classes from kindergarten through sixth grade and ninth through eleventh grades.

The Academy Charter School, Hempstead location, is referred to as “The Academy – Hempstead” and The Academy Charter School – Uniondale is referred to as “The Academy – Uniondale”. Collectively, The Academy – Hempstead and The Academy – Uniondale will be referred to as “The School”.

Note 2 Summary of significant accounting policies

Basis of accounting. The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Recently adopted accounting pronouncements.

- **Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).** In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Effective July 1, 2019, the School adopted ASU 2018-08. Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions.
- **Revenue from Contracts with Customers (Topic 606).** In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue.

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2021 and 2020

Note 2 Summary of significant accounting policies – (continued)

Recently adopted accounting pronouncements. – (continued)

For contributions, the School evaluates whether they are conditional or unconditional. Contributions are considered to be conditional when both barriers, the right of return of the assets and the right of release from the obligation, must be overcome for the School to be entitled to the revenue.

Review of various provisions of both standards resulted in no significant changes in the way the School recognizes revenue.

Financial statement presentation. The School reports 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 School.

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 School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue recognition. The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Revenue from these transactions is recognized ratably over the related school year.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as deferred revenue. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents. The School considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2021 and 2020

Note 2 Summary of significant accounting policies – (continued)

Accounts and grants receivable. Accounts and grants receivables are recorded at net realizable value. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Allowances recorded at June 30, 2021 and 2020 are \$388,323 and \$168,567, respectively.

Restricted cash and escrow reserves. Restricted cash and escrow reserves relate to reserve and escrow accounts that are required to be maintained by the School in accordance with the bond indenture and charter requirements.

Deferred revenue. Funds received in advance for which qualifying expenditures have not been incurred are reflected as deferred revenue from state and local government grants in the accompanying statements of financial position.

Donated goods and services. The School receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statement of activities, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$500. Effective July 1, 2021, the School modified its capitalization policy to increase threshold to \$5,000. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful Life</u>
Building	39 years
Building improvements	39 years
Furniture and fixtures	7 years
Machinery and equipment	3 years
Computer and office equipment	3 years

Depreciation charges for computer equipment financed through capitalized lease obligations are included in depreciation expense. Depreciation for construction-in-progress will commence over the estimated useful lives of the respective assets when the assets are placed in service.

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2021 and 2020

Note 2 Summary of significant accounting policies – (continued)

Functional allocation of expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and benefits	Direct allocation; then time and effort
Legal and professional fees	Direct allocation; then time and effort
Repairs and maintenance	Time and effort

Debt issuance costs. Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the bonds payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using a straight-line method over the term of the related debt. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expenses for the years ended June 30, 2021 and 2020 was \$1,400,643 and \$147,382, respectively. During the year ended June 30, 2021, unamortized debt issuance costs in the amount of \$1,239,250 were written off as a result of the related debt extinguishment as described in Note 6.

Income taxes. The School is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2021, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements. Periods ending June 30, 2018 and subsequent remain subject to examination by the taxing authorities.

Operating risk. The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, the School cannot reasonably estimate the impact to future results of operations.

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2021 and 2020

Note 2 Summary of significant accounting policies – (continued)

New accounting pronouncements. In February 2016, the FASB issued ASU 2016-02, *Leases* which is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. In addition to expanded disclosure requirements regarding leasing activities, the new standard significantly changes current lessee accounting for operating leases. Under the new standard all lessees will be required to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases of property and equipment, except for certain leases classified as short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sale-type leases, direct financing leases and operating leases; however, it expands disclosure requirements for lessors.

FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

The School is in the process of evaluating the impact these standards will have on the future financial statements.

Note 3 Liquidity and availability

At June 30, 2021 and 2020, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 9,822,477	\$ 7,309,447
Accounts and grants receivable – net	1,248,677	1,336,393
Due from government agencies	656,675	635,684
Total financial assets available for general expenditures within one year	<u>\$ 11,727,829</u>	<u>\$ 9,281,524</u>

None of the financial assets are subject to donor or other contractual restrictions which would make them unavailable for general expenditures within one year of the balance sheet date. The School structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the School may borrow from the available credit line.

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2021 and 2020

Note 4 Restricted cash and escrow reserves

Restricted cash and escrow reserve accounts as of June 30, 2021 and 2020 were as follows:

	2021		
	The Academy - Hempstead	The Academy - Uniondale	Total
Restricted cash – contingency	\$ 81,059	\$ 102,122	\$ 183,181
Restricted cash – held by trustee	4,104,124	35,443,222	39,547,346
Interest reserve	1,033,326	4,195,904	5,229,230
Debt Service	7,407,115	4,769,992	12,177,107
Repairs and replacement	100,012	100,011	200,023
Total	<u>\$ 12,725,636</u>	<u>\$ 44,611,251</u>	<u>\$ 57,336,887</u>

	2020		
	The Academy - Hempstead	The Academy - Uniondale	Total
Restricted cash – contingency	\$ 80,782	\$ 101,109	\$ 181,891
Restricted cash – held by trustee	2,600,927	667,689	3,268,616
Interest reserve	996,248	721,015	1,717,263
Debt Service	5,132,795	1,741,475	6,874,270
Repairs and replacement	89,153	-	89,153
Total	<u>\$ 8,899,905</u>	<u>\$ 3,231,288</u>	<u>\$ 12,131,193</u>

THE ACADEMY CHARTER SCHOOL**Notes to the Financial Statements**

June 30, 2021 and 2020

Note 5 Property and equipment

Property and equipment consist of the following as of June 30,:

	2021		
	The Academy - Hempstead	The Academy - Uniondale	Total
Land	\$ 790,000	\$ -	\$ 790,000
Building	53,872,158	16,313,429	70,185,587
Building improvements	4,256,074	1,385,837	5,641,911
Furniture and fixtures	2,316,671	325,933	2,642,604
Machinery and equipment	5,000	74,035	79,035
Educational equipment	400,992	-	400,992
Computer and office equipment	4,555,481	1,293,934	5,849,415
Software	-	50,956	50,956
Construction in progress	11,143,653	23,317,823	34,461,476
Total property and equipment	77,340,029	42,761,947	120,101,976
Less: accumulated depreciation	(11,578,751)	(1,625,153)	(13,203,904)
Property and equipment, net	\$ 65,761,278	\$ 41,136,794	\$ 106,898,072

	2020		
	The Academy - Hempstead	The Academy - Uniondale	Total
Land	\$ 790,000	\$ -	\$ 790,000
Building	53,872,158	16,313,429	70,185,587
Building improvements	4,119,523	127,330	4,246,853
Furniture and fixtures	2,255,431	141,152	2,396,583
Machinery and equipment	5,000	5,795	10,795
Educational equipment	276,934	-	276,934
Computer and office equipment	3,348,036	339,423	3,687,459
Construction in progress	271,712	2,381,388	2,653,100
Total property and equipment	64,938,794	19,308,517	84,247,311
Less: accumulated depreciation	(9,069,378)	(809,599)	(9,878,977)
Property and equipment, net	\$ 55,869,416	\$ 18,498,918	\$ 74,368,334

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2021 and 2020

Note 6 Bonds payable

On March 23, 2011, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$10,505,000 in Tax-Exempt Education Revenue Bonds (the “Series 2011A Bonds”), bearing interest at 8.25% per annum, with principal due at varying amounts annually through maturity on February 1, 2041, as well as \$235,000 in Taxable Education Revenue Bonds (the “Series 2011B Bonds”), bearing interest at 8% per annum. The Series 2011B Bonds were repaid fully on February 1, 2014. The proceeds of the bonds were used to purchase and renovate a two-story building at Hempstead, New York, to be used as classroom, cafeteria, kitchen, and administration space for The Academy – Hempstead. On July 1, 2020, the outstanding Series 2011A Bonds were refunded using the proceeds from the Series 2020 Bonds described below.

On December 23, 2013, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$12,970,000 in Tax-Exempt Education Revenue Bonds (the “Series 2013A Bonds”), bearing interest at 7.65% per annum, with principal due at varying amounts annually through maturity on February 1, 2044, as well as \$545,000 in Taxable Education Revenue Bonds (the “Series 2013B Bonds”), bearing interest rate at 7.25% per annum, with principal due at varying amounts annually through maturity on February 1, 2019. The proceeds of the bonds were used to purchase and renovate a four-story building at Hempstead, New York, to be used as classroom and administration space for The Academy – Hempstead. On July 1, 2020, the outstanding Series 2013A Bonds were refunded using the proceeds from the Series 2020 Bonds described below.

On August 10, 2017, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$35,900,000 in Tax-Exempt Education Revenue Bonds (the “Series 2017A Bonds”), bearing interest from 5.45% to 6.24% per annum, with principal due at varying amounts annually through maturity on February 1, 2047, as well as \$2,685,000 in Taxable Education Revenue Bonds (the “Series 2017B Bonds”), bearing interest rate at 6.59% per annum, with principal due at varying amounts annually through maturity on February 1, 2024. The proceeds of the bonds were used for the acquisition, construction, equipment, and furnishing of an approximately 112,500 square foot building for The Academy – Hempstead.

On June 26, 2018, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$19,520,000 in Tax-Exempt Education Revenue Bonds (the “Series 2018A Bonds”), bearing interest from 6.47% to 7.24% per annum, with principal due at varying amounts annually through maturity on February 1, 2048, as well as \$1,945,000 in Taxable Education Revenue Bonds (the “Series 2018B Bonds”), bearing interest rate at 7.24% per annum, with principal due at varying amounts annually through maturity on February 1, 2027. The proceeds of the bonds were used for the acquisition and renovation of building for The Academy – Uniondale.

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2021 and 2020

Note 6 Bonds payable – (continued)

On July 1, 2020, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$35,860,000 in Tax-Exempt Education Revenue Bonds (the “Series 2020A Bonds”), bearing interest from 4.76% to 5.73% per annum, with principal due at varying amounts annually through maturity on February 1, 2050, as well as \$22,135,000 in Tax-Exempt Education Revenue Refunding Bonds (the “Series 2020B Bonds”), bearing interest rate from 4.76% to 5.66% per annum, with principal due at varying amounts annually through maturity on February 1, 2044, and a \$945,000 Taxable Education Revenue Bond (the “Series 2020C Bonds”), bearing interest at 6.00% due at varying amounts annually through maturity on February 1, 2025. The proceeds of the bonds are to be used to finance and refinance the costs of certain charter school facilities for both Hempstead and Uniondale campuses. Portion of proceeds to be used to refund outstanding amounts on Series 2011A and Series 2013A bonds. Additionally, the funds to be used for construction, equipping and furnishing of a 30,000 square foot, 3 story building for the Hempstead elementary school annex; interior renovation, equipping and furnishing of a Uniondale campus building; and a construction of additional 40,000 square foot facilities at the Uniondale campus.

On May 21, 2021, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$45,965,000 in Tax-Exempt Education Revenue Bonds (the “Series 2021A Bonds”), bearing interest from 4.05% to 4.60% per annum, with principal due at varying amounts annually through maturity on February 1, 2051, and a \$650,000 Taxable Education Revenue Bond (the “Series 2021B Bonds”), bearing interest at 5.00% due in full on February 1, 2025. The proceeds of the bonds are to be used to finance and refinance the costs of certain charter school facilities for Uniondale campus such as the acquisition and construction of an approximately 93,000 square foot, four-story addition to Uniondale's existing building situated on an approximately 5.7 acre parcel of land leased from Nassau County (the “Land”), all located at 100 Charles Lindbergh Boulevard, Uniondale, New York, and the acquisition and installation of certain equipment, furnishings and personal property for use in the Improvements (the “Equipment”; and together with the Improvements, the “2021 Facility”), which 2021 Facility is to be used as classrooms, administrative areas and related educational uses as a charter high school, (B) paying capitalized interest on the Series 2021 Bonds; (C) funding a debt service reserve, if required, for the Series 2021 Bonds, and (D) paying certain costs of issuance of the Series 2021 Bonds. Additionally, the funds to be used for construction, equipping and furnishing of a 30,000 square foot, 3 story building for the Hempstead elementary school annex; interior renovation, equipping and furnishing of a Uniondale campus building; and a construction of additional 40,000 square foot facilities at the Uniondale campus.

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2021 and 2020

Note 6 Bonds payable – (continued)

The summary of bonds payable is as follows as of June 30,:

	<u>2021</u>	<u>2020</u>
Series 2011 Bonds	\$ -	\$ 9,655,000
Series 2013 Bonds	-	12,705,000
Series 2017 Bonds	37,440,000	38,030,000
Series 2018 Bonds	21,365,000	21,465,000
Series 2020 Bonds	58,790,000	-
Series 2021 Bonds	<u>46,089,728</u>	<u>-</u>
Total bonds payable	163,684,728	81,855,000
Less: current portion	(1,495,000)	(1,075,000)
Less: unamortized debt issuance costs	<u>(5,286,385)</u>	<u>(3,755,857)</u>
Long-term bonds payable - net	<u>\$ 156,903,343</u>	<u>\$ 77,024,143</u>

Future minimum principal payments for the next five years and in the aggregate thereafter are as follows:

<u>June 30,</u>	The Academy - Hempstead	The Academy - Uniondale	Total
2022	\$ 1,200,000	\$ 295,000	\$ 1,495,000
2023	1,275,000	315,000	1,590,000
2024	1,585,765	719,235	2,305,000
2025	1,679,527	1,705,473	3,385,000
2026	1,765,256	1,799,744	3,565,000
Thereafter	<u>66,392,025</u>	<u>84,952,703</u>	<u>151,344,728</u>
Total bonds payable	73,897,573	89,787,155	163,684,728
Less: current portion	(1,200,000)	(295,000)	(1,495,000)
Less: unamortized debt issuance costs	<u>(2,182,090)</u>	<u>(3,104,295)</u>	<u>(5,286,385)</u>
Long-term bonds payable - net	<u>\$ 70,515,483</u>	<u>\$ 86,387,860</u>	<u>\$ 156,903,343</u>

As of June 30, 2021, the School was in compliance with all debt covenants pursuant to the bond agreements.

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2021 and 2020

Note 7 Concentrations of credit and revenue risks

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The management of the School believes it is not exposed to significant credit risk on cash and cash equivalents.

For the years ended June 30, 2021 and 2020, the School received approximately 81% and 92% of its operating revenue, which is subject to specific requirements, from per pupil funding primarily from the Districts of Hempstead and Uniondale, respectively. Additionally, the School's grants receivable consists of approximately 100% from the New York State Education Department and one other organization.

Note 8 Line of credit

In June 2020, the School obtained a revolving line of credit with a financial institution in the amount of \$1,500,000. The line of credit bears interest of 5.75% and is due and payable upon demand by the bank. As of June 30, 2021 and 2020, the outstanding line of credit total balances were \$0 for both years.

Note 9 Contingencies

The School participates in several federal and state programs. These programs require that the School comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

The School is party to various legal proceedings incidental to their activities. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the School. In the opinion of management and legal counsel, all such matters are without merit or are of such kind or involve such amounts that would not have a significant effect on the financial position or results of operations of the School, if disposed of unfavorably.

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2021 and 2020

Note 10 Retirement plan

The School offers a 401(k) plan for all qualifying employees. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make contributions (pre-tax and Roth), up to IRS limits for each calendar year. The School matches an employee's contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2021 and 2020, the School's matching contributions were \$525,801 and \$383,936, respectively. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the plan's participants and beneficiaries.

Note 11 Accrued salary and other payroll-related expenses

Accrued payroll and other payroll-related expenses consist of amounts earned by the staff during the school year, but paid over the summer months, including the related payroll taxes and benefits. As of June 30, 2021 and 2020, accrued payroll amounted to \$2,964,785 and \$2,032,062, respectively. The other payroll-related accruals as of June 30, 2021 and 2020 amounted to \$469,964 and \$375,349, respectively.

Note 12 Ground lease agreement

The School assumed a ground lease for the land on which the acquired Uniondale property is located. The ground lease is a 99-year lease at the time it was originated in December of 1980. The School has assumed the lease in 2018 until the end of lease term in 2079. The lease payments are subject to incremental increase, however the current lease payments are approximately \$68,000 per annum for the next 10 years.

Note 13 Loans payable

A) To provide relief efforts to nonprofits and other small businesses during the pandemic, the government extended the Paycheck Protection Program ("PPP"), administered by the Small Business Administration to provide relief efforts to nonprofits and other small businesses with certain qualified business expenses pursuant to the Coronavirus Aid Relief and Economic Security Act ("CARES Act"). In April 2020, the School obtained a \$4,349,550 term loan under the PPP. The loan accrues interest at 1% per annum and matures on April 15, 2022. Payments are not required for the first six months after the funding of the loan. The loan is uncollateralized and is fully guaranteed by the Federal government.

On June 14, 2021, the PPP loan was forgiven and recognized as a federal grant on the statement of activities for the full amount of \$4,349,550.

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2021 and 2020

Note 13 Loans payable – (continued)

B) In August 2018, the School obtained a loan from Charter School Growth Fund (“CSGF”) in the amount of \$500,000 for the financial management and financing of the Uniondale facilities development. The loan is convertible to a grant upon meeting specific requirements and milestones as agreed with the lender. No payments of principal or interest are required until maturity. The loan bears interest of 1% per annum and has a maturity date of June 30, 2028. In July 2020, the School met the terms for forgiveness of the loan and it was converted into a grant, and recognized as a contribution in the statement of activities.

C) In May 2020, the School obtained a short-term bridge loan from Charter School Growth Fund (“CSGF”) in the amount of \$2,000,000 to assist with cashflow for the preconstruction costs incurred while awaiting financing from the 2020 Series Bonds issuance. The loan bears interest of 2.75% per annum and has a maturity date of July 14, 2020. The loan was paid in full on the maturity date, including the interest accrued.

Total loans outstanding at June 30, 2021 and 2020 were \$0 and \$6,849,550, respectively.

Note 14 Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through October 22, 2021, which is the date the financial statements were available to be issued and has concluded that no subsequent events occurred that require an adjustment to or disclosure in the financial statements.

THE ACADEMY CHARTER SCHOOL
Statements of Financial Position: The Academy – Hempstead
As of June 30,

	2021	2020
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 5,209,336	\$ 6,787,466
Accounts and grants receivable - net	964,614	1,127,758
Due from government agencies	574,924	339,221
Due from The Academy - Uniondale	437,636	243,448
Prepaid expenses	48,110	2,467
	<hr/>	<hr/>
Total current assets	7,234,620	8,500,360
Property and equipment, net	65,761,278	55,869,416
Other assets		
Restricted cash and escrow reserves	12,725,636	8,899,905
Security deposits	42,165	162,165
	<hr/>	<hr/>
Total assets	<u><u>\$ 85,763,699</u></u>	<u><u>\$ 73,431,846</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts and accrued expenses payable	\$ 2,873,803	\$ 1,326,803
Accrued salaries and other payroll-related expenses	2,818,477	2,128,472
Accrued interest payable	1,018,343	1,771,406
Bonds payable - current portion	1,200,000	975,000
Loans payable	-	2,500,000
Deferred revenue	49,787	74,681
	<hr/>	<hr/>
Total current liabilities	7,960,410	8,776,362
Loans payable - long term portion	-	4,349,550
Bonds payable (less current portion; net of unamortized deferred financing costs of \$2,182,090 in 2021 and \$2,709,365 in 2020)	70,515,483	56,705,635
	<hr/>	<hr/>
Total liabilities	78,475,893	69,831,547
	<hr/>	<hr/>
Net assets without donor restrictions		
Undesignated	7,104,625	3,418,408
Reserve - contingency	183,181	181,891
	<hr/>	<hr/>
Total net assets without donor restrictions	7,287,806	3,600,299
	<hr/>	<hr/>
Total liabilities and net assets without donor restrictions	<u><u>\$ 85,763,699</u></u>	<u><u>\$ 73,431,846</u></u>

THE ACADEMY CHARTER SCHOOL
Statements of Activities: The Academy – Hempstead
For the years ended June 30,

	<u>2021</u>	<u>2020</u>
<u>Operating revenue and other support</u>		
Public school districts		
General education	\$ 34,824,352	\$ 33,647,136
Grants, contracts and other support		
Federal and state grants	7,194,948	1,869,593
Contributions and private grants	2,086,935	487,092
Interest and other income	6,782	118,737
	<u>44,113,017</u>	<u>36,122,558</u>
<u>Expenses</u>		
Program expenses		
Regular education	29,573,453	27,395,509
Food service	1,703,510	1,633,109
Special education	1,620,686	1,294,357
	<u>32,897,649</u>	<u>30,322,975</u>
Supporting Services		
Management and general	7,527,861	5,665,276
	<u>40,425,510</u>	<u>35,988,251</u>
Total program and supporting services expenses		
	<u>40,425,510</u>	<u>35,988,251</u>
Change in net assets	3,687,507	134,307
Net assets without donor restrictions - beginning of year	3,600,299	3,465,992
	<u>3,687,507</u>	<u>134,307</u>
Net assets without donor restrictions - end of year	<u>\$ 7,287,806</u>	<u>\$ 3,600,299</u>

THE ACADEMY CHARTER SCHOOL

Statement of Functional Expenses: The Academy – Hempstead

For the year ended June 30, 2021

	Program expenses				Supporting services	Total program and supporting services
	Regular Education	Special Education	Food Service	Total Programs	Management & General	
Salaries						
Administrative staff personnel	\$ 4,082,708	\$ 361,271	\$ -	\$ 4,443,979	\$ 1,213,084	\$ 5,657,063
Instructional personnel	10,927,323	373,391	-	11,300,714	-	11,300,714
Noninstructional personnel	238,384	-	499,660	738,044	2,258,461	2,996,505
Total salaries	15,248,415	734,662	499,660	16,482,737	3,471,545	19,954,282
Payroll taxes and fringe benefits	3,250,232	156,595	106,504	3,513,331	739,967	4,253,298
Retirement	324,693	15,644	10,640	350,977	73,922	424,899
Financial and administrative	-	-	-	-	503,687	503,687
Administrative	116,791	5,627	-	122,418	30,416	152,834
Marketing and recruitment	117,764	5,674	-	123,438	30,670	154,108
Insurance	632,397	30,469	-	662,866	164,697	827,563
Legal and professional	609,712	29,376	-	639,088	497,968	1,137,056
Repairs and maintenance	735,761	35,449	24,109	795,319	167,508	962,827
Equipment leasing and maintenance	851,757	41,037	-	892,794	221,826	1,114,620
Staff development	316,157	15,232	-	331,389	82,338	413,727
Food costs			788,207	788,207	-	788,207
Student services and activities	286,322	88,363	-	374,685	-	374,685
Supplies and instructional materials	480,960	23,172	-	504,132	125,259	629,391
Telephone and internet services	316,052	15,227	-	331,279	82,311	413,590
Occupancy	304,761	14,683	-	319,444	79,370	398,814
Other expenses	252,666	12,173	8,279	273,118	57,523	330,641
Interest expense - facilities loans	2,815,994	225,280	150,186	3,191,460	563,199	3,754,659
Interest expense - equipment lease	5,471	438	292	6,201	1,094	7,295
Depreciation	1,917,582	92,388	62,835	2,072,805	436,568	2,509,373
Amortization	989,966	79,197	52,798	1,121,961	197,993	1,319,954
Total operating expenses	14,325,038	886,024	1,203,850	16,414,912	4,056,316	20,471,228
Total expenses	\$ 29,573,453	\$ 1,620,686	\$ 1,703,510	\$ 32,897,649	\$ 7,527,861	\$ 40,425,510

THE ACADEMY CHARTER SCHOOL
Statements of Financial Position: The Academy – Uniondale
As of June 30,

	2021	2020
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 4,613,141	\$ 521,981
Accounts and grants receivable - net	284,063	208,635
Due from government agencies	81,751	296,463
Total current assets	4,978,955	1,027,079
Property and equipment, net	41,136,794	18,498,918
Other assets		
Restricted cash and escrow reserves	44,611,251	3,231,288
Security deposits	29,925	29,925
Total assets	<u>\$ 90,756,925</u>	<u>\$ 22,787,210</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts and accrued expenses payable	\$ 1,334,199	\$ 224,084
Accrued salaries and other payroll-related expenses	616,272	278,939
Accrued interest payable	953,594	600,308
Bonds payable - current portion	295,000	100,000
Deferred revenue	10,568	-
Due to The Academy - Hempstead	437,636	243,448
Total current liabilities	3,647,269	1,446,779
Bonds payable (less current portion; net of unamortized deferred financing costs of \$3,104,295 in 2021 and \$1,046,492 in 2020)	86,387,860	20,318,508
Total liabilities	90,035,129	21,765,287
Net assets without donor restrictions	721,796	1,021,923
Total liabilities and net assets without donor restrictions	<u>\$ 90,756,925</u>	<u>\$ 22,787,210</u>

THE ACADEMY CHARTER SCHOOL
Statements of Activities: The Academy – Uniondale
For the years ended June 30,

	<u>2021</u>	<u>2020</u>
<u>Operating revenue and other support</u>		
Public school districts		
General education	\$ 9,272,521	\$ 5,083,685
Grants, contracts and other support		
Federal and state grants	746,413	568,425
Contributions and private grants	1,037	23,167
Interest and other income	220,672	440,839
Total operating revenue and other support	<u>10,240,643</u>	<u>6,116,116</u>
<u>Expenses</u>		
Program Expenses		
Regular education	7,465,132	4,082,058
Food service	592,193	280,337
Special education	391,263	109,104
Total program expenses	<u>8,448,588</u>	<u>4,471,499</u>
Supporting Services		
Management and general	<u>2,092,182</u>	<u>937,612</u>
Total program and supporting services expenses	<u>10,540,770</u>	<u>5,409,111</u>
Change in net assets	(300,127)	707,005
Net assets without donor restrictions - beginning of year	<u>1,021,923</u>	<u>314,918</u>
Net assets without donor restrictions - end of year	<u><u>\$ 721,796</u></u>	<u><u>\$ 1,021,923</u></u>

THE ACADEMY CHARTER SCHOOL

Statement of Functional Expenses: The Academy – Uniondale

For the year ended June 30, 2021

	Program expenses				Supporting services	Total program and supporting services
	Regular Education	Special Education	Food Service	Total Programs	Management & General	
Salaries						
Administrative staff personnel	\$ 781,878	\$ 71,103	\$ -	\$ 852,981	\$ 242,202	\$ 1,095,183
Instructional personnel	2,760,656	85,131	-	2,845,787	-	2,845,787
Noninstructional personnel	78,986	-	168,117	247,103	738,758	985,861
Total salaries	3,621,520	156,234	168,117	3,945,871	980,960	4,926,831
Payroll taxes and fringe benefits	744,365	32,112	34,555	811,032	201,626	1,012,658
Retirement	74,169	3,200	3,443	80,812	20,090	100,902
Financial and administrative	-	-	-	-	112,957	112,957
Legal and professional	37,900	1,635	-	39,535	18,877	58,412
Administrative	31,707	1,368	-	33,075	10,060	43,135
Marketing and recruitment	13,245	571	-	13,816	4,203	18,019
Insurance	98,552	4,252	-	102,804	31,270	134,074
Repairs and maintenance	288,065	12,427	13,372	313,864	78,028	391,892
Equipment leasing and maintenance	229,335	9,894	-	239,229	72,766	311,995
Staff development	26,402	1,139	-	27,541	8,377	35,918
Food costs	-	-	282,863	282,863	-	282,863
Student services and activities	42,963	28,832	-	71,795	-	71,795
Supplies and instructional materials	142,343	6,141	-	148,484	45,164	193,648
Telephone and internet services	84,870	3,661	-	88,531	26,929	115,460
Occupancy	264,961	11,430	-	276,391	84,070	360,461
Other expenses	19,380	836	900	21,116	5,250	26,366
Interest expense - facilities loans	1,085,356	86,828	57,886	1,230,070	217,071	1,447,141
Depreciation	599,482	25,862	27,829	653,173	162,381	815,554
Amortization	60,517	4,841	3,228	68,586	12,103	80,689
Total operating expenses	3,843,612	235,029	424,076	4,502,717	1,111,222	5,613,939
Total expenses	\$ 7,465,132	\$ 391,263	\$ 592,193	\$ 8,448,588	\$ 2,092,182	\$ 10,540,770

THE ACADEMY CHARTER SCHOOL**Other Supplementary Information – Schedule of Bonds Covenants Calculations**

For the year ended June 30, 2021

	<u>Minimum Requirement</u>	<u>Actual</u>
Debt service coverage ratio	1.15	2.07
Days cash on hand	45	78

The debt service coverage ratio is calculated as follows:

Increase in net assets	\$ 3,387,380		
Add back: Interest expense	5,201,800		
Depreciation and amortization	<u>4,725,570</u>		
Net revenues available for debt service	<u>\$ 13,314,750</u>		
Debt service payments – bonds			
Interest expense	\$ 5,201,800		
Principal	<u>1,225,000</u>		
Total current debt service – bonds	<u>\$ 6,426,800</u>		
Net revenues available for debt service	<u>\$ 13,314,750</u>	=	2.07
Total current debt service – bonds	<u>\$ 6,426,800</u>		

The days cash on hand is calculated as follows:

Total expenses	\$ 50,966,280		
Less: Depreciation and amortization	<u>(4,725,570)</u>		
Net expenses	46,240,710		
Days	<u>365</u>		
Cash used per day	<u>\$ 126,687</u>		
Cash at year end	<u>\$ 9,822,477</u>	=	78
Cash used per day	<u>\$ 126,687</u>		

THE ACADEMY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA #</u>	<u>Pass-through grantor and number</u>	<u>Federal expenditures</u>
Child Nutrition Cluster:			
United States Department of Agriculture			
National School Lunch Program	10.555	NYS Education Department, 280201860934	\$ 222,147
Summer Food Service Program	10.559	NYS Education Department, 280201860934	1,638,592
Total United States Department of Agriculture			<u>1,860,739</u>
Total Child Nutrition Cluster			<u>1,860,739</u>
United States Department of Education			
Title I Grants to Local Education Agencies	84.010A	NYS Education Department, 0021-21-4495	351,386
Title I Grants to Local Education Agencies	84.010A	NYS Education Department, 0021-21-5465	<u>41,868</u>
Total Title I Grants to Local Education Agencies			<u>393,254</u>
English Language Acquisition State Grants	84.365A	NYS Education Department, 0293-21-4495	<u>30,694</u>
Total English Language Acquisition State Grants			<u>30,694</u>
Supporting Effective Instruction State Grants	84.367A	NYS Education Department, 0147-21-4495	43,806
Supporting Effective Instruction State Grants	84.367A	NYS Education Department, 0147-21-5465	<u>7,543</u>
Total Supporting Effective Instruction State Grants			<u>51,349</u>
Student Support and Academic Enrichment program	84.424A	NYS Education Department, 0204-21-4495	16,750
Student Support and Academic Enrichment program	84.424A	NYS Education Department, 0204-21-5465	<u>10,000</u>
Total Student Support and Academic Enrichment program			<u>26,750</u>
Elementary and Secondary School Emergency Relief Fund	84.425D	NYS Education Department, 5890-21-4495	331,998
Elementary and Secondary School Emergency Relief Fund	84.425D	NYS Education Department, 5890-21-5465	<u>39,240</u>
Total Elementary and Secondary School Emergency Relief Fund			<u>371,238</u>
Total United States Department of Education			<u>873,285</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,734,024</u></u>

The accompanying notes are an integral part of this schedule.

THE ACADEMY CHARTER SCHOOL

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of The Academy Charter School for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) 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 Charter School, it is not intended to, and does not, present the financial position, changes in net position or cash flows of The Academy Charter School.

Note 2 Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The amounts reported as expenditures in this Schedule may differ from certain financial reports submitted to federal funding agencies, due to those reports being submitted on either the cash or modified cash basis of accounting.

Note 3 Indirect Cost Rate

The Academy Charter School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Trustees of
The Academy Charter School
Hempstead, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Academy Charter School, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2021.

Internal control over financial reporting

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

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

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

Compliance and other matters

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

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChang LLP

New York, New York
October 22, 2021

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees of
The Academy Charter School
Hempstead, New York

Report on Compliance for Each Major Federal Program

We have audited The Academy Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Academy Charter School's major federal programs for the year ended June 30, 2021. The Academy Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Academy Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Academy Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Academy Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, The Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of The Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Academy Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Academy Charter School's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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.

NCHS LLP

New York, New York
October 22, 2021



THE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the year ended June 30, 2021

Schedule I – Summary of auditors' results

Financial statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

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 federal programs:

- Material weakness(es) identified?

___ yes X no

- Significant deficiency(ies) identified that are not Considered to be material weakness(es)?

___ yes X none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ yes X no

Identification of major federal programs:

<u>CFDA number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes ___ no

THE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the year ended June 30, 2021

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

THE ACADEMY CHARTER SCHOOL
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2021

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

THE ACADEMY CHARTER SCHOOL
Corrective Action Plan
For the year ended June 30, 2021

None