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**THE ACADEMY CHARTER SCHOOL**

**Financial Statements and Single Audit**

For the years ended June 30, 2019 and 2018

# THE ACADEMY CHARTER SCHOOL

## Financial Statements

June 30, 2019 and 2018

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| Independent Auditors' Report.....   | 1-3         |
| Statements of Financial Position.....   | 4           |
| Statements of Activities .....  | 5           |
| Statements of Functional Expenses .....   | 6-7         |
| Statements of Cash Flows.....   | 8           |
| Notes to the Financial Statements.....  | 9-17        |
| <br><b>Supplemental Information required by New York State Department of Education</b>  |             |
| Statements of Financial Position: The Academy – Hempstead .....   | 18          |
| Statements of Activities: The Academy – Hempstead.....  | 19          |
| Statement of Functional Expenses: The Academy – Hempstead.....  | 20          |
| Statements of Financial Position: The Academy – Uniondale.....  | 21          |
| Statements of Activities: The Academy – Uniondale.....  | 22          |
| Statement of Functional Expenses: The Academy – Uniondale .....   | 23          |
| <br><b>Other Supplementary Information</b>  |             |
| Schedule of Bonds Covenants Calculations .....  | 24          |
| <br><b>Single Audit</b>   |             |
| Schedule of Expenditures of Federal Awards.....   | 25          |
| Notes to the Schedule of Expenditures of Federal Awards .....   | 26          |
| Independent Auditors' Report on Internal Control Over Financial Reporting and<br>on Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with Government Auditing Standards..... | 27-28       |
| Independent Auditors' Report on Compliance for each Major Program and on<br>Internal Control over Compliance Required by the Uniform Guidance .....   | 29-30       |
| Schedule of Findings and Questioned Costs.....  | 31-32       |
| Summary Schedule of Prior Audit Findings .....  | 33          |
| Corrective Action Plan.....   | 34          |

## **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, 2019 and 2018, 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, 2019 and 2018, 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 18 to 23 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 18 to 23 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 24, 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 25, 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 25, 2019 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 25, 2019

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

As of June 30,

|   | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
| <b><u>Assets</u></b>  |                      |                      |
| <b>Current assets</b>   |                      |                      |
| Cash and cash equivalents   | \$ 2,993,403         | \$ 2,564,817         |
| Accounts and grants receivable - net  | 1,605,782            | 602,391              |
| Due from government agencies  | 524,576              | 132,815              |
| Prepaid expenses  | 17,418               | 110,029              |
|   | <hr/>                | <hr/>                |
| Total current assets  | 5,141,179            | 3,410,052            |
| <b>Property and equipment, net - Note 5</b>   | 67,653,014           | 43,597,972           |
| <b>Other assets</b>   |                      |                      |
| Restricted cash and escrow reserves - Note 4  | 18,882,379           | 41,670,702           |
| Security deposits   | 182,345              | 182,345              |
|   | <hr/>                | <hr/>                |
| Total assets  | <u>\$ 91,858,917</u> | <u>\$ 88,861,071</u> |
| <br>  |                      |                      |
| <b><u>Liabilities and Net Assets</u></b>  |                      |                      |
| <b>Current liabilities</b>  |                      |                      |
| Accounts and accrued expenses payable   | \$ 4,004,182         | \$ 3,678,661         |
| Accrued salaries and other payroll-related expenses   | 2,150,089            | 1,671,372            |
| Accrued interest payable  | 2,398,694            | 1,835,238            |
| Bonds payable - current portion   | 910,000              | 335,000              |
| Line of credit - Note 9   | 650,000              | 445,387              |
| Obligations under capital lease - current portion   | 13,282               | 271,362              |
|   | <hr/>                | <hr/>                |
| Total current liabilities   | 10,126,247           | 8,237,020            |
| <b>Bonds payable (less current portion; net of unamortized deferred financing costs of \$3,903,241 for 2019 and \$4,040,494 in 2018) - Note 6</b> | 77,951,760           | 78,724,506           |
| <b>Obligations under capital lease, net of current portion - Note 7</b>   | -                    | 4,525                |
|   | <hr/>                | <hr/>                |
| Total liabilities   | 88,078,007           | 86,966,051           |
| <br>  |                      |                      |
| <b>Net assets without donor restrictions</b>  |                      |                      |
| Undesignated  | 3,600,574            | 1,815,873            |
| Reserve - contingency   | 180,336              | 79,147               |
|   | <hr/>                | <hr/>                |
| Total net assets without donor restrictions   | 3,780,910            | 1,895,020            |
|   | <hr/>                | <hr/>                |
| Total liabilities and net assets without donor restrictions   | <u>\$ 91,858,917</u> | <u>\$ 88,861,071</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>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b><u>Operating revenue and other support</u></b>         |                     |                     |
| <b>Public school district</b>                             |                     |                     |
| General education   | \$ 29,588,720       | \$ 20,254,448       |
| Total state and local per pupil operating revenue         | 29,588,720          | 20,254,448          |
| <b>Grants, contracts and other support</b>                |                     |                     |
| Federal and state grants                                  | 2,943,739           | 1,146,561           |
| Contributions   | 695,206             | 15,600              |
| Interest and other income                                 | 994,702             | 221,029             |
| Total operating revenue and other support                 | <u>34,222,367</u>   | <u>21,637,638</u>   |
| <b><u>Expenses</u></b>                                    |                     |                     |
| <b>Program expenses</b>                                   |                     |                     |
| Regular education   | 24,524,597          | 16,797,506          |
| Special education   | 979,261             | 737,152             |
| Food service  | 1,477,487           | 1,091,265           |
| Total program expenses                                    | 26,981,345          | 18,625,923          |
| <b>Supporting services</b>                                |                     |                     |
| Management and general                                    | 5,355,132           | 3,371,544           |
| Total program and supporting services expenses            | <u>32,336,477</u>   | <u>21,997,467</u>   |
| Change in net assets                                      | 1,885,890           | (359,829)           |
| Net assets without donor restrictions - beginning of year | 1,895,020           | 2,254,849           |
| Net assets without donor restrictions - end of year       | <u>\$ 3,780,910</u> | <u>\$ 1,895,020</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, 2019

|   | <b>Program expenses</b>  |                          |                     | <b>Supporting services</b>      | <b>Total program and supporting services</b> |
|---|--------------------------|--------------------------|---------------------|---------------------------------|--|
|   | <b>Regular education</b> | <b>Special education</b> | <b>Food service</b> | <b>Management &amp; general</b> |  |
| <b>Salaries</b>                         |                          |                          |                     |                                 |  |
| Administrative staff personnel          | \$ 2,928,942             | \$ 234,316               | \$ -                | \$ 741,999                      | \$ 3,905,257                                 |
| Instructional personnel                 | 9,368,043                | 147,797                  | -                   | -                               | 9,515,840                                    |
| Noninstructional personnel              | 94,271                   | -                        | 511,002             | 1,589,847                       | 2,195,120                                    |
| <b>Total salaries</b>                   | <b>12,391,256</b>        | <b>382,113</b>           | <b>511,002</b>      | <b>2,331,846</b>                | <b>15,616,217</b>                            |
| <b>Operating expenses</b>               |                          |                          |                     |                                 |  |
| Payroll taxes and fringe benefits       | 2,730,325                | 84,776                   | 111,253             | 509,642                         | 3,435,996                                    |
| Retirement benefits                     | 232,159                  | 7,324                    | 9,193               | 42,507                          | 291,183                                      |
| Financial and administrative            | 337,000                  | 29,560                   | -                   | 283,427                         | 649,987                                      |
| Administrative                          | 212,134                  | 6,413                    | -                   | 49,885                          | 268,432                                      |
| Marketing and recruitment               | 41,787                   | 1,348                    | -                   | 9,025                           | 52,160                                       |
| Insurance                               | 371,569                  | 11,707                   | -                   | 82,877                          | 466,153                                      |
| Legal and professional                  | 320,745                  | 10,045                   | -                   | 386,036                         | 716,826                                      |
| Repairs and maintenance                 | 514,445                  | 14,569                   | 24,215              | 106,113                         | 659,342                                      |
| Equipment leasing and maintenance       | 652,540                  | 20,755                   | -                   | 143,703                         | 816,998                                      |
| Staff development                       | 470,938                  | 14,234                   | -                   | 110,785                         | 595,957                                      |
| Food costs                              | -                        | -                        | 654,810             | -                               | 654,810                                      |
| Student services and related activities | 513,110                  | 131,352                  | -                   | -                               | 644,462                                      |
| Supplies and instructional materials    | 909,210                  | 26,887                   | -                   | 219,521                         | 1,155,618                                    |
| Telephone and Internet services         | 136,947                  | 4,217                    | -                   | 31,479                          | 172,643                                      |
| Occupancy                               | 1,331,243                | 33,255                   | -                   | 379,490                         | 1,743,988                                    |
| Other expenses                          | 167,718                  | 4,724                    | 7,955               | 34,785                          | 215,182                                      |
| Interest expense - facilities loans     | 1,866,619                | 149,329                  | 99,553              | 373,324                         | 2,488,825                                    |
| Interest expense - equipment lease      | 40,549                   | 3,244                    | 2,163               | 8,110                           | 54,066                                       |
| Depreciation                            | 1,179,576                | 35,031                   | 51,758              | 231,632                         | 1,497,997                                    |
| Amortization                            | 104,727                  | 8,378                    | 5,585               | 20,945                          | 139,635                                      |
| <b>Total operating expenses</b>         | <b>12,133,341</b>        | <b>597,148</b>           | <b>966,485</b>      | <b>3,023,286</b>                | <b>16,720,260</b>                            |
| <b>Total expenses</b>                   | <b>\$ 24,524,597</b>     | <b>\$ 979,261</b>        | <b>\$ 1,477,487</b> | <b>\$ 5,355,132</b>             | <b>\$ 32,336,477</b>                         |

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, 2018

|   | <b>Program expenses</b>  |                          |                     |                       | <b>Supporting services</b>      | <b>Total program and supporting services</b> |
|---|--------------------------|--------------------------|---------------------|-----------------------|---------------------------------|--|
|   | <b>Regular education</b> | <b>Special education</b> | <b>Food service</b> | <b>Total programs</b> | <b>Management &amp; general</b> |  |
| <b>Salaries</b>                         |                          |                          |                     |                       |                                 |  |
| Administrative staff personnel          | \$ 2,346,859             | \$ 187,749               | \$ -                | \$ 2,534,608          | \$ 594,538                      | \$ 3,129,146                                 |
| Instructional personnel                 | 6,442,804                | 149,484                  | -                   | 6,592,288             | -                               | 6,592,288                                    |
| Noninstructional personnel              | 69,059                   | -                        | 385,404             | 454,463               | 1,101,415                       | 1,555,878                                    |
| <b>Total salaries</b>                   | <b>8,858,722</b>         | <b>337,233</b>           | <b>385,404</b>      | <b>9,581,359</b>      | <b>1,695,953</b>                | <b>11,277,312</b>                            |
| <b>Operating expenses</b>               |                          |                          |                     |                       |                                 |  |
| Payroll taxes and fringe benefits       | 1,830,180                | 69,671                   | 79,623              | 1,979,474             | 318,706                         | 2,298,180                                    |
| Retirement benefits                     | 181,281                  | 6,901                    | 7,887               | 196,069               | 29,724                          | 225,793                                      |
| Financial and administrative            | 280,000                  | 25,000                   | -                   | 305,000               | 145,000                         | 450,000                                      |
| Administrative                          | 106,220                  | 4,044                    | -                   | 110,264               | 26,561                          | 136,825                                      |
| Marketing and recruitment               | 39,788                   | 1,514                    | -                   | 41,302                | 10,255                          | 51,557                                       |
| Insurance                               | 308,221                  | 11,733                   | -                   | 319,954               | 63,946                          | 383,900                                      |
| Legal and professional                  | 100,892                  | 3,841                    | -                   | 104,733               | 117,125                         | 221,858                                      |
| Repairs and maintenance                 | 411,529                  | 15,666                   | 17,904              | 445,099               | 67,476                          | 512,575                                      |
| Equipment leasing and maintenance       | 497,342                  | 18,933                   | -                   | 516,275               | 103,183                         | 619,458                                      |
| Staff development                       | 494,199                  | 18,813                   | -                   | 513,012               | 102,531                         | 615,543                                      |
| Food costs                              | -                        | -                        | 449,365             | 449,365               | -                               | 449,365                                      |
| Student services and related activities | 148,523                  | 36,468                   | -                   | 184,991               | -                               | 184,991                                      |
| Supplies and instructional materials    | 306,646                  | 11,673                   | -                   | 318,319               | 63,620                          | 381,939                                      |
| Telephone and Internet services         | 120,774                  | 4,597                    | -                   | 125,371               | 25,384                          | 150,755                                      |
| Occupancy                               | 509,324                  | 19,389                   | -                   | 528,713               | 105,719                         | 634,432                                      |
| Other expenses                          | 115,818                  | 4,409                    | 5,039               | 125,266               | 22,025                          | 147,291                                      |
| Interest expense - facilities loans     | 1,384,813                | 110,785                  | 73,857              | 1,569,455             | 276,963                         | 1,846,418                                    |
| Interest expense - equipment lease      | 44,426                   | 3,554                    | 2,369               | 50,349                | 8,885                           | 59,234                                       |
| Depreciation                            | 973,884                  | 26,134                   | 65,288              | 1,065,306             | 171,503                         | 1,236,809                                    |
| Amortization                            | 84,924                   | 6,794                    | 4,529               | 96,247                | 16,985                          | 113,232                                      |
| <b>Total operating expenses</b>         | <b>7,938,784</b>         | <b>399,919</b>           | <b>705,861</b>      | <b>9,044,564</b>      | <b>1,675,591</b>                | <b>10,720,155</b>                            |
| <b>Total expenses</b>                   | <b>\$ 16,797,506</b>     | <b>\$ 737,152</b>        | <b>\$ 1,091,265</b> | <b>\$ 18,625,923</b>  | <b>\$ 3,371,544</b>             | <b>\$ 21,997,467</b>                         |

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,

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities</b>   |                     |                     |
| Change in net assets  | \$ 1,885,890        | \$ (359,829)        |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities |                     |                     |
| Depreciation  | 1,497,997           | 1,236,809           |
| Amortization of debt issuance costs   | 139,635             | 113,232             |
| Changes in operating assets and liabilities   |                     |                     |
| Accounts and grants receivable  | (1,003,391)         | 121,754             |
| Due from government agencies  | (391,761)           | 1,851               |
| Security deposits   | -                   | (29,925)            |
| Prepaid expenses  | 92,611              | (110,029)           |
| Accounts payable  | 325,521             | 2,270,984           |
| Accrued salaries and other payroll-related expenses   | 476,335             | 514,920             |
| Accrued interest payable  | 563,456             | 1,065,899           |
| Net cash provided by operating activities   | <u>3,586,293</u>    | <u>4,825,666</u>    |
| <b>Cash flows from investing activities</b>   |                     |                     |
| Increase in restricted cash and escrow reserves   | 22,788,323          | (38,227,524)        |
| Acquisition of property, plant and equipment  | <u>(25,553,039)</u> | <u>(22,217,021)</u> |
| Net cash used in investing activities   | <u>(2,764,716)</u>  | <u>(60,444,545)</u> |
| <b>Cash flows from financing activities</b>   |                     |                     |
| Repayments  | (335,000)           | (305,000)           |
| Proceeds from bonds issuance  | -                   | 57,302,706          |
| Draws on line of credit   | 2,464,100           | 445,387             |
| Payments on line of credit  | (2,259,486)         | -                   |
| Obligations under capital leases  | <u>(262,605)</u>    | <u>(322,914)</u>    |
| Net cash (used in)/provided by financing activities   | <u>(392,991)</u>    | <u>57,120,179</u>   |
| Net increase in cash and cash equivalents   | 428,586             | 1,501,300           |
| Cash and cash equivalents - beginning of year   | <u>2,564,817</u>    | <u>1,063,517</u>    |
| Cash and cash equivalents - end of year   | <u>\$ 2,993,403</u> | <u>\$ 2,564,817</u> |
| <b>Supplemental cash flow disclosures</b>   |                     |                     |
| Interest paid   | <u>\$ 5,087,870</u> | <u>\$ 3,049,173</u> |
| Interest capitalized  | <u>\$ 2,111,521</u> | <u>\$ 2,194,911</u> |

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

## **THE ACADEMY CHARTER SCHOOL**

### **Notes to the Financial Statements**

June 30, 2019 and 2018

#### **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 September 2018, The Academy Charter School – Uniondale began to operate classes from kindergarten to second grade and added a third grade in 2019-20 school year.

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 presentation.** 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”).

**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 organization.

**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, where by the donor has stipulated the funds be maintained in perpetuity.

## THE ACADEMY CHARTER SCHOOL

### Notes to the Financial Statements

June 30, 2019 and 2018

#### Note 2 Summary of significant accounting policies – (continued)

**Reclassifications.** Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financials. These reclassifications have no effect on the changes in net assets.

**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.

**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. Such revenue is recognized ratably over the related school year in which it is earned.

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 refundable advances. 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.

**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, 2019 and 2018 are \$170,210 and \$293,598, 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.

# THE ACADEMY CHARTER SCHOOL

## Notes to the Financial Statements

June 30, 2019 and 2018

### Note 2 Summary of significant accounting policies – (continued)

**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. 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.

**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, 2019 and 2018 was \$139,635 and \$113,232, respectively.

**Refundable advances.** Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances 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.

## THE ACADEMY CHARTER SCHOOL

### Notes to the Financial Statements

June 30, 2019 and 2018

#### 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 |
| Financial and administrative         | Direct allocation; then time and effort |
| Supplies and instructional materials | Direct allocation                       |
| Student services                     | Direct allocation                       |
| Occupancy                            | Direct allocation                       |
| Repairs and maintenance              | Time and effort                         |
| Food costs                           | Direct allocation                       |
| Depreciation and amortization        | Direct allocation                       |
| Equipment leasing and maintenance    | Time and effort                         |

**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, 2018, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements.

The School is no longer subject to income tax examination by tax authorities for years before June 30, 2016.

**New accounting pronouncement.** On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

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

June 30, 2019 and 2018

**Note 3 Liquidity and availability**

At June 30, 2019, 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:

|   |                     |
|---|---------------------|
| Cash and cash equivalents   | \$ 2,993,403        |
| Accounts and grants receivable – net                                      | 1,605,782           |
| Receivables from government agencies                                      | <u>524,576</u>      |
| Total financial assets available for general expenditures within one year | <u>\$ 5,123,761</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. To meet obligations and cash liquidity needs, the School may borrow from the available credit line.

**Note 4 Restricted cash and escrow reserves**

Restricted cash and escrow reserve accounts as of June 30, 2019 and 2018 were as follows:

|                                   | 2019                       |                            |                      |
|-----------------------------------|----------------------------|----------------------------|----------------------|
|                                   | The Academy<br>- Uniondale | The Academy<br>- Hempstead | Total                |
| Restricted cash – contingency     | \$ 100,244                 | \$ 80,092                  | \$ 180,336           |
| Restricted cash – held by trustee | 2,478,485                  | 6,043,321                  | 8,521,806            |
| Interest reserve                  | 2,155,110                  | 996,357                    | 3,151,467            |
| Debt Service                      | 1,768,455                  | 5,185,394                  | 6,953,849            |
| Repairs and replacement           | -                          | 74,921                     | 74,921               |
| Total                             | <u>\$ 6,502,294</u>        | <u>\$ 12,380,085</u>       | <u>\$ 18,882,379</u> |
|                                   | 2018                       |                            |                      |
|                                   | The Academy<br>- Uniondale | The Academy<br>- Hempstead | Total                |
| Restricted cash – contingency     | \$ 250                     | \$ 78,897                  | \$ 79,147            |
| Restricted cash – held by trustee | 8,231,990                  | 23,128,156                 | 31,360,146           |
| Interest reserve                  | 2,316,625                  | 995,183                    | 3,311,808            |
| Debt Service                      | 1,741,475                  | 5,117,719                  | 6,859,194            |
| Repairs and replacement           | -                          | 60,407                     | 60,407               |
| Total                             | <u>\$ 12,290,340</u>       | <u>\$ 29,380,362</u>       | <u>\$ 41,670,702</u> |

# THE ACADEMY CHARTER SCHOOL

## Notes to the Financial Statements

June 30, 2019 and 2018

### Note 5 Property and equipment

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

|                                   | 2019                       |                            |               | 2018                       |                            |               |
|-----------------------------------|----------------------------|----------------------------|---------------|----------------------------|----------------------------|---------------|
|                                   | The Academy<br>- Uniondale | The Academy<br>- Hempstead | Total         | The Academy<br>- Uniondale | The Academy<br>- Hempstead | Total         |
| Land                              | \$ -                       | \$ 790,000                 | \$ 790,000    | \$ -                       | \$ 790,000                 | \$ 790,000    |
| Building                          | 10,590,055                 | 17,507,416                 | 28,097,471    | -                          | 17,507,416                 | 17,507,416    |
| Building improvements             | 95,163                     | 3,955,414                  | 4,050,577     | -                          | 3,955,414                  | 3,955,414     |
| Furniture and fixtures            | 112,380                    | 2,129,463                  | 2,241,843     | -                          | 2,087,480                  | 2,087,480     |
| Machinery and equipment           | 5,795                      | 5,000                      | 10,795        | -                          | 5,000                      | 5,000         |
| Computer and office<br>equipment  | 256,029                    | 2,762,992                  | 3,019,021     | -                          | 2,311,640                  | 2,311,640     |
| Construction in progress          | 4,127,777                  | 32,581,868                 | 36,709,645    | 8,101,457                  | 14,607,906                 | 22,709,363    |
| Total property and equipment      | 15,187,199                 | 59,732,153                 | 74,919,352    | 8,101,457                  | 41,264,856                 | 49,366,313    |
| Less: accumulated depreciation    | (291,314)                  | (6,975,024)                | (7,266,338)   | -                          | (5,768,341)                | (5,768,341)   |
| Total property and equipment, net | \$ 14,895,885              | \$ 52,757,129              | \$ 67,653,014 | \$ 8,101,457               | \$ 35,496,515              | \$ 43,597,972 |

### 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 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.



## THE ACADEMY CHARTER SCHOOL

### Notes to the Financial Statements

June 30, 2019 and 2018

#### Note 6 Bonds payable – (continued)

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.

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

| <u>June 30,</u>                       | <u>The Academy<br/>- Uniondale</u> | <u>The Academy<br/>- Hempstead</u> | <u>Total</u>         |
|---------------------------------------|------------------------------------|------------------------------------|----------------------|
| 2020                                  | \$ -                               | \$ 910,000                         | \$ 910,000           |
| 2021                                  | 100,000                            | 975,000                            | 1,075,000            |
| 2022                                  | 295,000                            | 1,045,000                          | 1,340,000            |
| 2023                                  | 315,000                            | 1,125,000                          | 1,440,000            |
| 2024                                  | 340,000                            | 1,200,000                          | 1,540,000            |
| Thereafter                            | <u>20,415,000</u>                  | <u>56,045,000</u>                  | <u>76,460,000</u>    |
| Total                                 | <u>21,465,000</u>                  | <u>61,300,000</u>                  | <u>82,765,000</u>    |
| Less: current portion                 | -                                  | (910,000)                          | (910,000)            |
| Less: unamortized debt issuance costs | <u>(1,083,867)</u>                 | <u>(2,819,373)</u>                 | <u>(3,903,240)</u>   |
| Total long-term bonds payable         | <u>\$ 20,381,133</u>               | <u>\$ 57,570,627</u>               | <u>\$ 77,951,760</u> |

As of June 30, 2019, 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, 2019 and 2018

#### **Note 7 Capital Leases**

In August and September 2014, The Academy - Hempstead entered into five capital lease agreements for furniture and fixtures, and computer equipment. The leases, totaling \$1,421,144, require monthly payments of \$30,230, including interest at 8.25%, and mature in September 2018 and August 2019. The remaining lease payable balance as of June 30, 2019 was \$13,282 which was paid off subsequently.

#### **Note 8 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.

The School received approximately 87% and 94% of its operating revenue, which is subject to specific requirements, from per pupil funding from the Districts of Hempstead and Uniondale during the years ended June 30, 2019 and 2018, respectively. Additionally, the School's grants receivable consists of approximately 100% from the New York State Department of Education and one organization.

#### **Note 9 Line of credit**

The School has a \$650,000 unsecured revolving line of credit, with an interest rate of 5.75% per annum with a bank. The revolving line of credit is due and payable on demand by the bank. As of June 30, 2019 and 2018, the outstanding balance was \$650,000 and \$445,387, respectively.

#### **Note 10 Contingency**

The School participates in a number of 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 ACADEMY CHARTER SCHOOL**

### **Notes to the Financial Statements**

June 30, 2019 and 2018

#### **Note 11 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 pretax contributions, 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, 2019 and 2018, the School's matching contributions were \$291,183 and \$225,793. 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 12 Accrued salary and other payroll expenses**

Accrued payroll and benefits consist of amounts earned by the staff during the school year, but paid over the summer months. As of June 30, 2019 and 2018, accrued payroll amounted to \$1,749,471 and \$1,243,136, respectively. Also included are other payroll accrual of \$400,618 and \$428,236 as of June 30, 2019 and 2018, respectively.

#### **Note 13 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 approximately \$68,000 per annum for the next 10 years.

#### **Note 14 Subsequent events**

Management has evaluated events and transactions for potential recognition or disclosure through October 25, 2019, which is the date the financial statements were available to be issued. There were no events requiring adjustments or disclosure to the financial statements.

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

|   | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
| <b><u>Assets</u></b>  |                      |                      |
| <b>Current assets</b>   |                      |                      |
| Cash and cash equivalents   | \$ 2,973,819         | \$ 2,563,853         |
| Accounts and grants receivable - net  | 1,087,162            | 602,391              |
| Due from government agencies  | 185,812              | 132,815              |
| Due from The Academy - Uniondale  | 275,586              | 40,620               |
| Prepaid expenses  | 17,418               | 10,029               |
|   | <hr/>                | <hr/>                |
| Total current assets  | 4,539,797            | 3,349,708            |
| <b>Property and equipment, net</b>  | 52,757,129           | 35,496,515           |
| <b>Other assets</b>   |                      |                      |
| Restricted cash and escrow reserves   | 12,380,085           | 29,380,362           |
| Security deposits   | 152,420              | 152,420              |
|   | <hr/>                | <hr/>                |
| Total assets  | <u>\$ 69,829,431</u> | <u>\$ 68,379,005</u> |
| <br>  |                      |                      |
| <b><u>Liabilities and Net Assets</u></b>  |                      |                      |
| <b>Current liabilities</b>  |                      |                      |
| Accounts payable  | \$ 3,271,055         | \$ 3,547,834         |
| Accrued salaries and other payroll-related expenses   | 2,150,089            | 1,671,372            |
| Accrued interest payable  | 1,798,386            | 1,819,122            |
| Bonds payable - current portion   | 910,000              | 335,000              |
| Line of credit  | 650,000              | 445,387              |
| Obligations under capital lease - current portion   | 13,282               | 271,362              |
|   | <hr/>                | <hr/>                |
| Total current liabilities   | 8,792,812            | 8,090,077            |
| <b>Bonds payable (less current portion; net of unamortized deferred financing costs of \$2,819,373 in 2019 and \$2,921,635 in 2018)</b> | 57,570,627           | 58,378,365           |
| <b>Obligations under capital lease, net of current portion</b>  | -                    | 4,525                |
|   | <hr/>                | <hr/>                |
| Total liabilities   | 66,363,439           | 66,472,967           |
| <b>Net assets without donor restrictions</b>  |                      |                      |
| Undesignated  | 3,285,656            | 1,826,891            |
| Reserve - contingency   | 180,336              | 79,147               |
|   | <hr/>                | <hr/>                |
| Total net assets  | 3,465,992            | 1,906,038            |
|   | <hr/>                | <hr/>                |
| Total liabilities and net assets  | <u>\$ 69,829,431</u> | <u>\$ 68,379,005</u> |

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

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b><u>Operating revenue and other support</u></b>         |                     |                     |
| <b>Public school district</b>                             |                     |                     |
| General education   | \$ 26,045,182       | \$ 20,254,448       |
| Total state and local per pupil operating revenue         | 26,045,182          | 20,254,448          |
| <b>Grants, contracts and other support</b>                |                     |                     |
| Federal and state grants                                  | 1,813,405           | 1,146,561           |
| Contributions   | 695,206             | 15,600              |
| Interest and other income                                 | 342,600             | 221,029             |
| Total operating revenue and other support                 | <u>28,896,393</u>   | <u>21,637,638</u>   |
| <b><u>Expenses</u></b>                                    |                     |                     |
| <b>Program expenses</b>                                   |                     |                     |
| Regular education   | 20,991,015          | 16,797,506          |
| Special education   | 867,545             | 737,152             |
| Food service  | 1,218,043           | 1,091,265           |
| Total program expenses                                    | <u>23,076,603</u>   | <u>18,625,923</u>   |
| <b>Supporting Services</b>                                |                     |                     |
| Management and general                                    | <u>4,259,836</u>    | <u>3,360,526</u>    |
| Total program and supporting services expenses            | <u>27,336,439</u>   | <u>21,986,449</u>   |
| Change in net assets                                      | 1,559,954           | (348,811)           |
| Net assets without donor restrictions - beginning of year | <u>1,906,038</u>    | <u>2,254,849</u>    |
| Net assets without donor restrictions - end of year       | <u>\$ 3,465,992</u> | <u>\$ 1,906,038</u> |

**THE ACADEMY CHARTER SCHOOL**

**Statement of Functional Expenses: The Academy – Hempstead**

For the year ended June 30, 2019

|                                      | Regular<br>Education | Special<br>Education | Food<br>Service     | Total<br>Programs    | Management<br>& General | Total<br>2019        |
|--------------------------------------|----------------------|----------------------|---------------------|----------------------|-------------------------|----------------------|
| <b>Salaries</b>                      |                      |                      |                     |                      |                         |                      |
| Administrative staff personnel       | \$ 2,648,747         | \$ 211,900           | \$ -                | \$ 2,860,647         | \$ 671,016              | \$ 3,531,663         |
| Instructional personnel              | 8,409,169            | 147,797              | -                   | 8,556,966            | -                       | 8,556,966            |
| Noninstructional personnel           | 94,271               | -                    | 423,319             | 517,590              | 1,314,214               | 1,831,804            |
| <b>Total salaries</b>                | <b>11,152,187</b>    | <b>359,697</b>       | <b>423,319</b>      | <b>11,935,203</b>    | <b>1,985,230</b>        | <b>13,920,433</b>    |
| Payroll taxes and fringe benefits    | 2,498,239            | 80,577               | 94,829              | 2,673,645            | 444,718                 | 3,118,363            |
| Retirement                           | 220,563              | 7,114                | 8,372               | 236,049              | 39,263                  | 275,312              |
| Financial and administrative         | 280,000              | 25,000               | -                   | 305,000              | 230,987                 | 535,987              |
| Administrative                       | 181,884              | 5,866                | -                   | 187,750              | 39,282                  | 227,032              |
| Marketing and recruitment            | 41,787               | 1,348                | -                   | 43,135               | 9,025                   | 52,160               |
| Insurance                            | 352,031              | 11,354               | -                   | 363,385              | 76,029                  | 439,414              |
| Legal and professional               | 299,549              | 9,662                | -                   | 309,211              | 329,784                 | 638,995              |
| Repairs and maintenance              | 371,558              | 11,984               | 14,104              | 397,646              | 66,142                  | 463,788              |
| Equipment leasing and maintenance    | 631,924              | 20,382               | -                   | 652,306              | 136,477                 | 788,783              |
| Staff development                    | 403,471              | 13,013               | -                   | 416,484              | 87,138                  | 503,622              |
| Food costs                           | -                    | -                    | 557,029             | 557,029              | -                       | 557,029              |
| Student services and activities      | 480,003              | 119,149              | -                   | 599,152              | -                       | 599,152              |
| Supplies and instructional materials | 737,069              | 23,773               | -                   | 760,842              | 159,185                 | 920,027              |
| Telephone and Internet services      | 122,807              | 3,961                | -                   | 126,768              | 26,523                  | 153,291              |
| Occupancy                            | 647,546              | 20,886               | -                   | 668,432              | 139,851                 | 808,283              |
| Other expenses                       | 119,291              | 3,848                | 4,528               | 127,667              | 21,237                  | 148,904              |
| Interest expense - facilities loans  | 1,367,141            | 109,371              | 72,914              | 1,549,426            | 273,428                 | 1,822,854            |
| Interest expense - equipment lease   | 40,549               | 3,244                | 2,163               | 45,956               | 8,110                   | 54,066               |
| Depreciation                         | 966,720              | 31,180               | 36,695              | 1,034,595            | 172,088                 | 1,206,683            |
| Amortization                         | 76,696               | 6,136                | 4,090               | 86,922               | 15,339                  | 102,261              |
| <b>Total operating expenses</b>      | <b>9,838,828</b>     | <b>507,848</b>       | <b>794,724</b>      | <b>11,141,400</b>    | <b>2,274,606</b>        | <b>13,416,006</b>    |
| <b>Total expenses</b>                | <b>\$ 20,991,015</b> | <b>\$ 867,545</b>    | <b>\$ 1,218,043</b> | <b>\$ 23,076,603</b> | <b>\$ 4,259,836</b>     | <b>\$ 27,336,439</b> |

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

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
| <b><u>Assets</u></b>   |                      |                      |
| <b>Current assets</b>  |                      |                      |
| Cash and cash equivalents  | \$ 19,584            | \$ 964               |
| Accounts and grants receivable - net   | 518,620              | -                    |
| Due from government agencies   | 338,764              | -                    |
| Prepaid expenses   | -                    | 100,000              |
|  | <hr/>                | <hr/>                |
| Total current assets   | 876,968              | 100,964              |
| <b>Property and equipment, net</b>   |                      |                      |
|  | 14,895,885           | 8,101,457            |
| <b>Other assets</b>  |                      |                      |
| Restricted cash and escrow reserves  | 6,502,294            | 12,290,340           |
| Security deposits  | 29,925               | 29,925               |
|  | <hr/>                | <hr/>                |
| Total assets   | <u>\$ 22,305,072</u> | <u>\$ 20,522,686</u> |
| <br>   |                      |                      |
| <b><u>Liabilities and Net Assets</u></b>   |                      |                      |
| <b>Current liabilities</b>   |                      |                      |
| Accounts payable   | 733,127              | 130,827              |
| Due to The Academy - Hempstead   | 275,586              | 40,620               |
| Accrued interest payable   | 600,308              | 16,116               |
|  | <hr/>                | <hr/>                |
| Total current liabilities  | 1,609,021            | 187,563              |
| <b>Bonds payable (less current portion; net of unamortized deferred financing costs of \$1,083,867 in 2019 and financing costs of \$1,118,859 in 2018)</b> |                      |                      |
|  | 20,381,133           | 20,346,141           |
|  | <hr/>                | <hr/>                |
| Total liabilities  | 21,990,154           | 20,533,704           |
| <b>Net assets without donor restrictions</b>   |                      |                      |
|  | 314,918              | (11,018)             |
|  | <hr/>                | <hr/>                |
| Total liabilities and net assets without donor restrictions  | <u>\$ 22,305,072</u> | <u>\$ 20,522,686</u> |

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

|   | <u>2019</u>       | <u>2018</u>        |
|---|-------------------|--------------------|
| <b><u>Operating revenue and other support</u></b>         |                   |                    |
| <b>Public school district</b>                             |                   |                    |
| General education   | \$ 3,543,538      | \$ -               |
| Total state and local per pupil operating revenue         | <u>3,543,538</u>  | <u>-</u>           |
| Grants, contracts and other support                       |                   |                    |
| Federal and state grants                                  | 1,130,334         | -                  |
| Interest and other income                                 | 652,102           | -                  |
| Total operating revenue and other support                 | <u>5,325,974</u>  | <u>-</u>           |
| <b><u>Expenses</u></b>                                    |                   |                    |
| <b>Program Expenses</b>                                   |                   |                    |
| Regular education   | 3,533,582         | -                  |
| Special education   | 111,716           | -                  |
| Food service  | 259,444           | -                  |
| Total program expenses                                    | <u>3,904,742</u>  | <u>-</u>           |
| <b>Supporting Services</b>                                |                   |                    |
| Management and general                                    | <u>1,095,296</u>  | <u>11,018</u>      |
| Total expenses  | <u>5,000,038</u>  | <u>11,018</u>      |
| Change in net assets                                      | 325,936           | (11,018)           |
| Net assets without donor restrictions - beginning of year | <u>(11,018)</u>   | <u>-</u>           |
| Net assets without donor restrictions - end of year       | <u>\$ 314,918</u> | <u>\$ (11,018)</u> |



**THE ACADEMY CHARTER SCHOOL**

**Statement of Functional Expenses: The Academy – Uniondale**

For the year ended June 30, 2019

|                                      | Regular<br>Education | Special<br>Education | Food<br>Service   | Total<br>Programs   | Management<br>& General | Total<br>2019       |
|--------------------------------------|----------------------|----------------------|-------------------|---------------------|-------------------------|---------------------|
| <b>Salaries</b>                      |                      |                      |                   |                     |                         |                     |
| Administrative staff personnel       | \$ 280,195           | \$ 22,416            | \$ -              | \$ 302,611          | \$ 70,983               | \$ 373,594          |
| Instructional personnel              | 958,874              | -                    | -                 | 958,874             |                         | 958,874             |
| Noninstructional personnel           | -                    | -                    | 87,683            | 87,683              | 275,633                 | 363,316             |
| <b>Total salaries</b>                | <b>1,239,069</b>     | <b>22,416</b>        | <b>87,683</b>     | <b>1,349,168</b>    | <b>346,616</b>          | <b>1,695,784</b>    |
| Payroll taxes and fringe benefits    | 232,086              | 4,199                | 16,424            | 252,709             | 64,924                  | 317,633             |
| Retirement                           | 11,596               | 210                  | 821               | 12,627              | 3,244                   | 15,871              |
| Financial and administrative         | 57,000               | 4,560                | -                 | 61,560              | 52,440                  | 114,000             |
| Administrative                       | 30,250               | 547                  | -                 | 30,797              | 10,603                  | 41,400              |
| Insurance                            | 19,538               | 353                  | -                 | 19,891              | 6,848                   | 26,739              |
| Legal and professional               | 21,196               | 383                  | -                 | 21,579              | 56,252                  | 77,831              |
| Repairs and maintenance              | 142,887              | 2,585                | 10,111            | 155,583             | 39,971                  | 195,554             |
| Equipment leasing and maintenance    | 20,616               | 373                  | -                 | 20,989              | 7,226                   | 28,215              |
| Staff development                    | 67,467               | 1,221                | -                 | 68,688              | 23,647                  | 92,335              |
| Food costs                           | -                    | -                    | 97,781            | 97,781              | -                       | 97,781              |
| Student services and activities      | 33,107               | 12,203               | -                 | 45,310              | -                       | 45,310              |
| Supplies and instructional materials | 172,141              | 3,114                | -                 | 175,255             | 60,336                  | 235,591             |
| Telephone and Internet services      | 14,140               | 256                  | -                 | 14,396              | 4,956                   | 19,352              |
| Occupancy                            | 683,697              | 12,369               | -                 | 696,066             | 239,639                 | 935,705             |
| Other expenses                       | 48,427               | 876                  | 3,427             | 52,730              | 13,548                  | 66,278              |
| Interest expense - facilities loans  | 499,478              | 39,958               | 26,639            | 566,075             | 99,896                  | 665,971             |
| Depreciation                         | 212,856              | 3,851                | 15,063            | 231,770             | 59,544                  | 291,314             |
| Amortization                         | 28,031               | 2,242                | 1,495             | 31,768              | 5,606                   | 37,374              |
| <b>Total operating expenses</b>      | <b>2,294,513</b>     | <b>89,300</b>        | <b>171,761</b>    | <b>2,555,574</b>    | <b>748,680</b>          | <b>3,304,254</b>    |
| <b>Total expenses</b>                | <b>\$ 3,533,582</b>  | <b>\$ 111,716</b>    | <b>\$ 259,444</b> | <b>\$ 3,904,742</b> | <b>\$ 1,095,296</b>     | <b>\$ 5,000,038</b> |

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

For the years ended June 30, 2019

|                             | <u>Minimum<br/>Requirement</u> | <u>Actual</u> |
|-----------------------------|--------------------------------|---------------|
| Debt service coverage ratio | 1.15                           | 2.13          |
| Days cash on hand           | 35                             | 36            |

**The debt service coverage ratio is calculated as follows:**

|   |                     |   |      |
|---|---------------------|---|------|
| Increase in net assets                  | \$ 1,885,890        |   |      |
| Add back: Interest expense              | 2,488,825           |   |      |
| Depreciation and amortization           | 1,637,632           |   |      |
| Net revenues available for debt service | <u>\$ 6,012,347</u> |   |      |
| <br>                                    |                     |   |      |
| Debt service payments                   |                     |   |      |
| Interest expense                        | \$ 2,488,825        |   |      |
| Principal                               | 335,000             |   |      |
| Total current debt service              | <u>\$ 2,823,825</u> |   |      |
| <br>                                    |                     |   |      |
| Net revenues available for debt service | <u>\$ 6,012,347</u> | = | 2.13 |
| Total current debt service              | <u>\$ 2,823,825</u> |   |      |

**The days cash on hand is calculated as follows:**

|                                     |                     |   |    |
|-------------------------------------|---------------------|---|----|
| Total expenses                      | \$ 32,336,477       |   |    |
| Less: Depreciation and amortization | <u>(1,637,632)</u>  |   |    |
| Net expenses                        | 30,698,845          |   |    |
| Days                                | 365                 |   |    |
| Cash used per day                   | <u>\$ 84,106</u>    |   |    |
| <br>                                |                     |   |    |
| Cash at year end                    | <u>\$ 2,993,403</u> | = | 36 |
| Cash used per day                   | <u>\$ 84,106</u>    |   |    |

**THE ACADEMY CHARTER SCHOOL**  
**Schedule of Expenditures of Federal Awards**  
For the year ended June 30, 2019

| <u>Federal Grantor/Pass-through Grantor/Program Title</u>  | <u>Federal<br/>CFDA<br/>No.</u> | <u>Pass-through<br/>identifying<br/>number</u> | <u>Federal<br/>expenditures</u> |
|--|---------------------------------|--|---------------------------------|
| <b>Child Nutrition Cluster:</b>  |                                 |  |                                 |
| <b>U.S. Department of Agriculture:</b>   |                                 |  |                                 |
| <u>Pass-through New York State Department of Education</u>   |                                 |  |                                 |
| School Breakfast Program   | 10.553                          | 280201860934                                   | \$ 316,792                      |
| National School Lunch Program  | 10.555                          | 280201860934                                   | 932,736                         |
| Summer Food Service Program  | 10.559                          | 280201860934                                   | <u>206,560</u>                  |
| Total U.S. Department of Agriculture   |                                 |  | <u>1,456,088</u>                |
| Total Child Nutrition Cluster  |                                 |  | <u>1,456,088</u>                |
| <b>U.S. Department of Education</b>  |                                 |  |                                 |
| <b>Office of Elementary and Secondary Education:</b>   |                                 |  |                                 |
| <u>Pass-through New York State Department of Education:</u>  |                                 |  |                                 |
| Title I Grants to Local Education Agencies   | 84.010A                         | 0021-18-4495                                   | 257,590                         |
| Supporting Effective Instruction State Grants<br>(formerly Improving Teacher Quality State Grants) | 84.367A                         | 0147-18-4495                                   | 44,877                          |
| English Language Acquisition Grants  | 84.365A                         | 0293-18-4495                                   | 10,658                          |
| Strengthening Institutions Program   | 84.031A                         | 0149-19-4495                                   | 25,241                          |
| Student Support and Academic Enrichment  | 84.424A                         | 0204-19-4495                                   | <u>20,585</u>                   |
| Total U.S. Department of Education   |                                 |  | <u>358,951</u>                  |
| Total Expenditures of Federal Awards   |                                 |  | <u>\$ 1,815,039</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, 2019

#### **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, 2019. 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, 2019, 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 25, 2019.

***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.

NChing LLP

New York, New York  
October 25, 2019

**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, 2019. 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, 2019.

### **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.

NChang LLP

New York, New York  
October 25, 2019



**THE ACADEMY CHARTER SCHOOL**  
**Schedule of Findings and Questioned Costs**  
 For the year ended June 30, 2019

**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  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

**Federal awards**

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not Considered to be material weakness(es)?  yes  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  no

Identification of major federal programs:

| <u>CFDA number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.                   | Child Nutrition Cluster                   |

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

\$750,000

Auditee qualified as low-risk auditee?

yes  no

**THE ACADEMY CHARTER SCHOOL**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2019

**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, 2019

**Financial Statement Findings**

None

**Federal Award Findings and Questioned Costs**

None

**THE ACADEMY CHARTER SCHOOL**  
**Corrective Action Plan**  
For the year ended June 30, 2019

None