

ACADEMY OF THE CITY CHARTER SCHOOL

QUEENS, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022

(With Comparative Totals For 2021)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Academy of the City Charter School

Report on the Financial Statements

Opinion

We have audited the financial statements of Academy of the City Charter School, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Academy of the City Charter School as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Academy of the City Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy of the City Charter School's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Academy of the City Charter School's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 on our consideration of Academy of the City Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Academy of the City Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 31, 2022

ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals For 2021)

<u>ASSETS</u>	June 30,	
	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,606,438	\$ 3,513,048
Certificates of deposit	-	856,000
Grants and other receivables	691,649	37,090
Prepaid expenses	<u>10,932</u>	<u>104,504</u>
TOTAL CURRENT ASSETS	4,309,019	4,510,642
<u>PROPERTY AND EQUIPMENT, net</u>	28,373,119	29,254,115
<u>OTHER ASSETS</u>		
Due from Friends of Academy of the City, Inc.	222,778	177,380
Security deposit	276,000	276,000
Cash in escrow	<u>75,450</u>	<u>75,145</u>
	<u>574,228</u>	<u>528,525</u>
TOTAL ASSETS	<u>\$ 33,256,366</u>	<u>\$ 34,293,282</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 260,757	\$ 198,241
Accrued payroll and benefits	1,224,577	886,550
Deferred revenue	138,600	-
Current portion of capital lease payable	<u>211,910</u>	<u>195,766</u>
TOTAL CURRENT LIABILITIES	1,835,844	1,280,557
<u>OTHER LIABILITIES</u>		
Capital lease payable	27,991,702	28,203,612
Deferred rent	<u>1,267,685</u>	<u>1,191,163</u>
TOTAL LIABILITIES	31,095,231	30,675,332
<u>NET ASSETS</u>		
Without donor restrictions	2,161,135	3,612,950
With donor restrictions	<u>-</u>	<u>5,000</u>
TOTAL NET ASSETS	<u>2,161,135</u>	<u>3,617,950</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,256,366</u>	<u>\$ 34,293,282</u>

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

ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022
(With Comparative Totals For 2021)

	Year ended June 30,			
	2022			2021
	Without donor restrictions	With donor restrictions	Total	Total
Revenue, gains, and other support:				
Public school district				
Resident student enrollment	\$ 12,027,376	\$ -	12,027,376	\$ 10,322,429
Students with disabilities	489,369	-	489,369	441,315
Grants and contracts				
Federal - Title and IDEA	183,902	-	183,902	178,657
Federal - Other	772,493	-	772,493	10,107
Food service/Child nutrition program	94,482	-	94,482	-
NYCDOE rental assistance	1,923,024	-	1,923,024	1,621,450
TOTAL REVENUE, GAINS AND OTHER SUPPORT	15,490,646	-	15,490,646	12,573,958
Expenses:				
Program services:				
Regular education	11,749,617	-	11,749,617	9,112,146
Special education	2,305,179	-	2,305,179	1,069,803
TOTAL PROGRAM SERVICES	14,054,796	-	14,054,796	10,181,949
Management and general	3,015,548	-	3,015,548	2,157,205
Fundraising and special events	3,513	-	3,513	3,513
TOTAL OPERATING EXPENSES	17,073,857	-	17,073,857	12,342,667
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(1,583,211)	-	(1,583,211)	231,291
Support and other revenue:				
Contributions	114,755	-	114,755	103,992
PPP loan forgiveness income	-	-	-	1,082,610
Miscellaneous income	11,641	-	11,641	5,998
Net assets released from restriction	5,000	(5,000)	-	-
TOTAL SUPPORT AND OTHER REVENUE	131,396	(5,000)	126,396	1,192,600
CHANGE IN NET ASSETS	(1,451,815)	(5,000)	(1,456,815)	1,423,891
Net assets at beginning of year	3,612,950	5,000	3,617,950	2,194,059
NET ASSETS AT END OF YEAR	\$ 2,161,135	\$ -	2,161,135	\$ 3,617,950

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

ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022
(With Comparative Totals For 2021)

		Year ended June 30,							
		2022						2021	
		Program Services			Supporting Services				
	Number of positions	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-Total	Total	Total
Personnel services costs:									
Administrative staff personnel	22	\$ 635,666	\$ 76,944	\$ 712,610	\$ 1,345,735	\$ -	\$ 1,345,735	\$ 2,058,345	\$ 1,450,280
Instructional personnel	73	5,010,346	606,480	5,616,826	-	-	-	5,616,826	4,328,976
Non-instructional personnel	6	94,184	11,401	105,585	63,105	-	63,105	168,690	145,460
TOTAL SALARIES AND STAFF	101	5,740,196	694,825	6,435,021	1,408,840	-	1,408,840	7,843,861	5,924,716
Fringe benefits & payroll taxes		1,267,686	153,448	1,421,134	311,133	-	311,133	1,732,267	1,283,961
Retirement		167,880	20,321	188,201	41,203	-	41,203	229,404	216,207
Professional fees		-	-	-	264,470	-	264,470	264,470	241,069
Other purchased / professional / consulting services		74,322	891,937	966,259	14,729	3,513	18,242	984,501	438,864
Building and land rent / lease / facility finance interest		1,953,389	236,449	2,189,838	479,429	-	479,429	2,669,267	2,575,240
Repairs & maintenance		336,439	40,724	377,163	82,574	-	82,574	459,737	200,588
Insurance		89,639	10,851	100,490	22,001	-	22,001	122,491	85,017
Utilities		39,918	4,832	44,750	9,797	-	9,797	54,547	81,263
Supplies / materials		309,797	37,500	347,297	-	-	-	347,297	159,667
Office expense		100,471	12,161	112,632	24,659	-	24,659	137,291	82,413
Staff development		77,215	9,346	86,561	20,585	-	20,585	107,146	37,508
Staff travel		-	-	-	1,999	-	1,999	1,999	4,590
Marketing / recruitment		119,451	14,459	133,910	-	-	-	133,910	53,863
Technology		224,642	27,192	251,834	55,135	-	55,135	306,969	211,544
Food service		187,576	22,705	210,281	46,037	-	46,037	256,318	1,907
Student services		111,505	13,497	125,002	-	-	-	125,002	9,429
Depreciation		949,164	114,892	1,064,056	232,957	-	232,957	1,297,013	728,891
Other		327	40	367	-	-	-	367	5,930
		<u>\$ 11,749,617</u>	<u>\$ 2,305,179</u>	<u>\$ 14,054,796</u>	<u>\$ 3,015,548</u>	<u>\$ 3,513</u>	<u>\$ 3,019,061</u>	<u>\$ 17,073,857</u>	<u>\$ 12,342,667</u>

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

ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022
(With Comparative Totals For 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (1,456,815)	\$ 1,423,891
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation	1,297,013	728,891
PPP loan forgiveness income	-	(1,082,610)
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(654,559)	105,734
Prepaid expenses	93,572	(102,021)
Accounts payable and accrued expenses	62,516	(18,987)
Accrued payroll and benefits	338,027	155,618
Deferred revenue	138,600	-
Deferred rent	<u>76,522</u>	<u>79,224</u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(105,124)	1,289,740
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Increase in due from Friends of Academy of the City, Inc.	(45,398)	(177,380)
Purchases of property and equipment	(416,017)	(341,636)
Net redemptions of certificates of deposit	<u>856,000</u>	<u>6,955</u>
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	394,585	(512,061)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Payments on capital lease payable	<u>(195,766)</u>	<u>(142,324)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(195,766)</u>	<u>(142,324)</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	93,695	635,355
Cash, cash equivalents, and restricted cash at beginning of year	<u>3,588,193</u>	<u>2,952,838</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 3,681,888</u>	<u>\$ 3,588,193</u>

ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2022
(With Comparative Totals For 2021)

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 3,606,438	\$ 3,513,048
Cash in escrow	<u>75,450</u>	<u>75,145</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 3,681,888</u>	<u>\$ 3,588,193</u>
Cash paid for interest	<u>\$ 1,486,301</u>	<u>\$ 1,493,732</u>

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

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(With Comparative Totals For 2021)

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

The Charter School

Academy of the City Charter School (the “Charter School”) is an educational corporation that operates as a charter school in the borough of Queens, New York City. On December 14, 2010, the Board of Regents and the Board of Trustees of the University of the State of New York, for and on behalf of the State Education Department, granted the Charter School a charter valid for a term of 5 years and renewable upon expiration. The school was granted a charter for grades K-5. On January 14, 2019, the Charter School’s charter was renewed through June 30, 2024 and expanded to include grades 6-8. During the year ended June 30, 2020, the Charter School opened a middle school, initially serving 6th grade.

The Charter School was organized to increase learning opportunities for students through innovative educational programs and to enable parents to be more involved in their children’s education.

Classification of net assets

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

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by Academy of the City Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at June 30, 2022. The Charter School had \$5,000 of net assets with donor restrictions at June 30, 2021.

Revenue recognition

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

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

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

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

Public school district revenue

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

Rental assistance

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

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

		June 30,	
	2022	2021	2020
Grants and other receivables	\$ 17,552	\$ 37,090	\$ 133,404

Contributions

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

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

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

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

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

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. As of June 30, 2022, \$138,600 was received prior to incurring qualifying expenditures, which is included as deferred revenue in the accompanying statement of financial position. As of June 30, 2021, there were no amounts received prior to incurring qualifying expenditures, which would be reported as deferred revenue in the accompanying statement of financial position. The Charter School received cost-reimbursement grants of approximately \$406,000 and \$21,000 that have not been recognized as of June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$75,450 and \$75,145 at June 30, 2022 and 2021, respectively. The escrow funds are restricted to fund legal and other costs related to the dissolution of the Charter School, should this become necessary.

Certificates of deposit

Certificates of deposit as of June 30, 2021 had maturity dates of more than three months and were considered investments for purposes of cash flow reporting. The certificates of deposit matured and were not renewed during the year ended June 30, 2022.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2022 or 2021.

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

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

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives which are as follows:

Furniture and fixtures	—	5 to 7 years
Equipment	—	3 to 5 years
Leasehold improvements	—	20 to 27 years

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

Deferred rent

Operating lease expense is straight-lined over the term of the lease. Deferred rent has been recorded for the difference between the fixed payment and the straight-line rent expense.

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2019 through June 30, 2022 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Charter School received transportation services, food services, and a school nurse which were provided for the students by the local district. The Charter School was unable to determine a value for these services.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. There were no in-kind contributions during the years ended June 30, 2022 and 2021.

Marketing and recruiting costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs were \$133,910 and \$53,863 for the years ended June 30, 2022 and 2021, respectively.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

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

Reclassifications

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

Adoption of new accounting standard - gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School adopted this standard during the year ended June 30, 2022. There were no gifts-in-kind recognized for either of the years ended June 30, 2022 and 2021.

New accounting pronouncements - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Comparatives for year ended June 30, 2021

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 31, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2022 and 2021:

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 3,606,438	\$ 3,513,048
Certificates of deposit	-	856,000
Grants and other receivables	691,649	37,090
Total financial assets available to management for general expenditures within one year	<u>\$ 4,298,087</u>	<u>\$ 4,406,138</u>

NOTE C: NET ASSETS

Net assets are as follows:

	June 30,	
	2022	2021
<u>Without donor restrictions</u>		
Undesignated	\$ 1,991,628	\$ 2,758,213
Invested in property and equipment, net of related liabilities	169,507	854,737
	<u>\$ 2,161,135</u>	<u>\$ 3,612,950</u>
<u>With donor restrictions</u>		
COVID-19 Education research and intervention	\$ -	\$ 1,500
High school readiness	-	3,500
	<u>\$ -</u>	<u>\$ 5,000</u>

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Building under capital lease	\$ 27,068,917	\$ 27,068,917
Furniture and fixtures	336,134	309,569
Equipment	959,630	740,329
Leasehold improvements	<u>2,931,519</u>	<u>2,761,368</u>
	31,296,200	30,880,183
Less accumulated depreciation and amortization	<u>(2,923,081)</u>	<u>(1,626,068)</u>
	<u>\$ 28,373,119</u>	<u>\$ 29,254,115</u>

NOTE E: OPERATING LEASE

The Charter School entered into two leases with the Roman Catholic Church of Corpus Christi for a location in Woodside, NY and the related parking lot. The leases expire on June 30, 2035. In connection with these leases, the Charter School is required to maintain a security deposit with the landlord in the amount of \$276,000.

Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 1,005,000
2024	1,105,500
2025	1,105,500
2026	1,105,500
2027	1,105,500
Thereafter	<u>9,900,400</u>
	<u>\$ 15,327,400</u>

The leases are being straight-lined over the life of the lease. The deferred rent liability as of June 30, 2022 and 2021 was \$1,267,685 and \$1,191,163, respectively.

In addition to the above leases, the Charter School also rents additional space under short-term agreements. Total rent expense for the years ended June 30, 2022 and 2021 was \$1,149,508 and \$1,081,508, respectively.

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE F: CAPITAL LEASE

On February 1, 2019, the Charter School entered into a capital lease with Friends of Academy of the City, Inc. ("Friends"), an unrelated entity, for the middle school facility. The lease will expire on June 30, 2048. In connection with this lease, the Charter School guarantees the obligations of Friends to their landlord. As of June 30, 2022, the remaining lease payments (undiscounted) amounted to \$31,120,245. The Charter School's obligation to Friends is greater than the amount due by Friends to their landlord due to additional improvements and services provided by Friends under the terms of the lease with the Charter School. Interest expense recorded during the years ended June 30, 2022 and 2021 totaled approximately \$1,486,301 and \$1,495,047, respectively.

Aggregate annual payments on capital lease obligations at June 30, 2022, are:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	1,687,548
2024	1,785,839
2025	1,791,542
2026	1,797,359
2027	1,803,292
Thereafter	<u>45,106,912</u>
	53,972,492
Less amount representing interest	<u>(25,768,880)</u>
Present value of future minimum lease payments	<u>\$ 28,203,612</u>

Property and equipment include the following property under capital leases at June 30, 2022 and 2021:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Buildings	\$ 27,068,917	\$ 27,068,917
Less accumulated depreciation	<u>(1,486,831)</u>	<u>(492,162)</u>
	<u>\$ 25,582,086</u>	<u>\$ 26,576,755</u>

In connection with the space to be used for the middle school site, Friends of Academy of the City, Inc. entered into a financing agreement with an unrelated party. As part of the financing agreement between Friends of Academy of the City, Inc, the Charter School is required to comply with certain covenants, of which the school was in compliance at June 30, 2022.

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE G: NOTE PAYABLE

In response to the COVID-19 outbreak, in April 2020 the Charter School applied for and was approved by a bank for a loan of \$1,082,610 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 2 years and an interest rate of 1%. As of May 10, 2021, the entire balance of the loan of \$1,082,610 was forgiven. PPP loan forgiveness income of \$1,082,610 was recognized for the year ended June 30, 2021.

NOTE H: RETIREMENT PLAN

The Charter School has a defined contribution retirement plan which covers substantially all full-time employees. For the years ended June 30, 2022 and 2021, the Charter School contributed 4 percent of the employee's contribution to the plan up to the maximum amount allowed. Retirement plan expense under this Plan for the years ended June 30, 2022 and 2021 was \$229,404 and \$216,207, respectively.

NOTE I: CONTINGENCY

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

NOTE J: CONCENTRATIONS

At June 30, 2022 and 2021, approximately 97% and 100%, respectively, of grants and other receivables are due from New York State relating to certain grants.

For the years ended June 30, 2022 and 2021, 81% and 78%, respectively, of total revenue and support came from per-pupil funding provided by New York City Department of Education. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function (including salaries, benefits, purchased services, occupancy costs, and depreciation) are allocated on the basis of estimates of time, effort and usage.

ACADEMY OF THE CITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE L: FINANCIAL IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$685,518 and \$45,438 of revenue relative to ESSER grants during the years ended June 30, 2022 and 2021, respectively.

ACADEMY OF THE CITY CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2022



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 31, 2022

To the Board of Trustees
Academy of the City Charter School

In planning and performing our audit of the financial statements of Academy of the City Charter School (the “Charter School”) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph of this letter and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

* * * * *

This communication is intended solely for the information and use of Management, Finance Committee members, and Board Members, and is not intended to be, and should not be, used by anyone other than these specified parties.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Academy of the City Charter School's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

ACADEMY OF THE CITY CHARTER SCHOOL

QUEENS, NEW YORK

SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2022



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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

Board of Trustees
Academy of the City Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Academy of the City Charter School, which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 31, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Academy of the City Charter School's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Academy of the City Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Academy of the City 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 Academy of the City Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 31, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Academy of the City Charter School

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Academy of the City Charter School's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Academy of the City Charter School's major federal programs for the year ended June 30, 2022. Academy of the City Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Academy of the City Charter School complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Academy of the City Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Academy of the City Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Academy of the City Charter School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Academy of the City Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Academy of the City Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Academy of the City Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Academy of the City Charter School as of and for the year ended June 30, 2022, and have issued our report thereon dated October 31, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 31, 2022

ACADEMY OF THE CITY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 98,141
Title IIA - Supporting Effective Instruction			
State Grant	84.367	0147	19,261
Title IV- Student Support and Academic			
Enrichment Program	84.424	0204	10,000
COVID-19 Charter Schools Program	84.282		49,950
<u>Education Stabilization Funds</u>			
ESSER I - Elementary and Secondary School			
Emergency Relief Fund	84.425D	5890	19,532
ESSER II - Elementary and Secondary School			
Emergency Relief Fund	84.425D	5891	304,028
ARP ESSER - American Rescue Plan-Elementary			
and Secondary School Emergency Relief	84.425U	5880	<u>361,958</u>
<i>Total Education Stabilization Funds</i>			<u>685,518</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>862,870</u>
U.S. Department of Agriculture:			
<u>Passed through New York State Education Department:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	343000860998	9,433
National School Lunch Program	10.555	343000860998	<u>73,567</u>
<i>Total Child Nutrition Cluster</i>			<u>83,000</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>83,000</u>
Federal Communications Commission:			
<u>Passed through the Universal Service</u>			
<u>Administrative Company</u>			
Emergency Connectivity Fund Program - COVID-19	32.009	16062952	<u>21,210</u>
TOTAL FEDERAL			
COMMUNICATIONS COMMISSION			<u>21,210</u>
TOTAL ALL PROGRAMS			<u><u>\$ 967,080</u></u>

ACADEMY OF THE CITY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2022

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of Academy of the City Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

ACADEMY OF THE CITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of major program:

AL Number:

84.425D & 84.425U

Name of Federal Program or Cluster:

ESSER I & ESSER II & ARP ESSER

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

 \$750,000

Auditee qualified as low-risk auditee?

_____ yes x no

ACADEMY OF THE CITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

- NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

- NONE

ACADEMY OF THE CITY CHARTER SCHOOL

REQUIRED COMMUNICATIONS LETTER

JUNE 30, 2022



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants



October 31, 2022

To the Board of Trustees
Academy of the City Charter School

We have audited the financial statements of Academy of the City Charter School as of and for the year ended June 30, 2022, and have issued our report thereon dated October 31, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 6, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Academy of the City Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced finance team and CEO who review the draft financial statements prior to issuance and accept responsibility for them.

Significant Risks Identified

We have identified the following significant risks:

- Management override
- Improper revenue recognition
- Improper allocation of expenses to grants
- Misappropriation of assets

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to assess those risks. The identification of a risk does not mean that it has occurred, but rather it has the potential to impact the financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Academy of the City Charter School is included in Note A to the financial statements. As described in Note A to the financial statements, during the year, the Charter School adopted new guidance for gifts-in-kind (ASU 2020-07). No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We have made tests of management's estimates and deemed them to be appropriate.

The most sensitive accounting estimates affecting the financial statements are the allocations of operating expenses to program expenses, management, and other expenses; the collectability of grants and other receivables; and the determination of the present value of the capital lease payable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgments and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Academy of the City Charter School's financial statements relate to revenue and support recognition, the terms of the operating and capital leases, concentrations, and the impacts of the COVID-19 pandemic, which are referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements. In addition, none of the misstatements identified by us as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Academy of the City Charter School's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Academy of the City Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Academy of the City Charter School's auditors.

Other Matters

Fiscal Policies and Procedures Manual

During our audit, we noted differences between operating practices and internal control procedures as compared to the practices and procedures described in the Charter School's Fiscal Policies and Procedures Manual ("FPPM"). Differences were noted within the procurement cycle, bidding procedures, and in the credit card usage processes. We noted instances where documentation as called for in the FPPM was not always available for our review including purchase requests, credit card purchase authorization forms, and documentation surrounding bids. Based on discussions with management, changes to internal procedures were made during the current fiscal year but were not formally updated in the FPPM.

Recommendation

The current Fiscal Policies and Procedures Manual became effective October 2018 with one addendum effective March 15, 2020. We recommend the Charter School revisit its practices described in the FPPM and update the FPPM to reflect any changes in internal controls or operating procedures.

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Should you desire further information concerning these matters, Jackie Lee or Kevin Kopp will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees and management of Academy of the City Charter School, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

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