

**FAMILY LIFE ACADEMY CHARTER SCHOOLS**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**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  
Family Life Academy Charter Schools

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the accompanying financial statements of Family Life Academy Charter Schools (the "Organization"), 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 referred to above present fairly, in all material respects, the financial position of Family Life Academy Charter Schools 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). 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 Family Life Academy Charter Schools, 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 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 is derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 on our consideration of Family Life Academy Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Family Life Academy Charter Schools' internal control over financial reporting and compliance.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 20, 2022

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals for 2021)

<u>ASSETS</u>	June 30,	
	2022	2021
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 13,511,734	\$ 12,555,701
Certificates of deposit	2,361,312	2,351,045
Grants and other receivables	4,132,797	2,393,507
Prepaid expenses and other current assets	540,168	336,792
TOTAL CURRENT ASSETS	20,546,011	17,637,045
<u>PROPERTY AND EQUIPMENT, net</u>	3,600,431	3,927,028
<u>OTHER ASSETS</u>		
Security deposits	305,305	305,305
Cash in escrow	175,000	175,000
Due from related party	45,732	51,732
	526,037	532,037
TOTAL ASSETS	\$ 24,672,479	\$ 22,096,110
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of capital leases payable	\$ 53,843	\$ 84,222
Accounts payable and accrued expenses	550,069	441,653
Accrued payroll and benefits	1,526,728	1,435,024
Vacation accrual	379,051	474,204
Deferred revenue	196,489	151,437
TOTAL CURRENT LIABILITIES	2,706,180	2,586,540
<u>OTHER LIABILITIES</u>		
Capital leases payable	-	53,466
Deferred lease incentive	455,641	445,482
Deferred rent payable	2,160,373	2,093,074
Long term debt	-	2,571,253
	2,616,014	5,163,275
TOTAL LIABILITIES	5,322,194	7,749,815
<u>NET ASSETS</u>		
Without donor restrictions	18,941,895	13,830,373
With donor restrictions	408,390	515,922
	19,350,285	14,346,295
TOTAL LIABILITIES AND NET ASSETS	\$ 24,672,479	\$ 22,096,110

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

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	\$ 23,095,338	\$ -	\$ 23,095,338	\$ 23,299,624
Students with disabilities	767,605	-	767,605	853,403
Grants and contracts:				
State and local	116,688	-	116,688	146,371
Federal - Title and IDEA	1,188,671	-	1,188,671	1,307,586
Federal - other	3,990,965	-	3,990,965	1,042,804
Food service/Child Nutrition Program	1,059,986	-	1,059,986	553,501
NYC DOE rental assistance	4,130,064	-	4,130,064	3,806,099
TOTAL REVENUE, GAINS AND OTHER SUPPORT	34,349,317	-	34,349,317	31,009,388
Expenses:				
Program services:				
Regular education	23,845,205	-	23,845,205	21,948,726
Special education	3,122,379	-	3,122,379	2,962,614
Total program services	26,967,584	-	26,967,584	24,911,340
Management and general	4,941,272	-	4,941,272	3,519,023
Fundraising and special events	177,839	-	177,839	172,410
TOTAL OPERATING EXPENSES	32,086,695	-	32,086,695	28,602,773
SURPLUS FROM SCHOOL OPERATIONS	2,262,622	-	2,262,622	2,406,615
Support and other revenue:				
Contributions:				
Foundations	26,781	15,000	41,781	387,580
Individuals	8,528	-	8,528	4,445
Corporations	9,000	1,000	10,000	10,819
In-kind	1,333	-	1,333	8,375
Fundraising	505	-	505	180
Interest income	74,365	-	74,365	121,297
Gain on lease termination	-	-	-	3,176,524
Paycheck Protection Program loan forgiveness	2,571,253	-	2,571,253	-
Other income	33,603	-	33,603	-
Net assets released from restriction	123,532	(123,532)	-	-
TOTAL SUPPORT AND OTHER REVENUE	2,848,900	(107,532)	2,741,368	3,709,220
CHANGE IN NET ASSETS	5,111,522	(107,532)	5,003,990	6,115,835
Net assets at beginning of year	13,830,373	515,922	14,346,295	8,230,460
NET ASSETS AT END OF YEAR	<u>\$ 18,941,895</u>	<u>\$ 408,390</u>	<u>\$ 19,350,285</u>	<u>\$ 14,346,295</u>

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

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

	Year ended June 30,								
	2022						2021		
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel services costs:									
Administrative staff personnel	77	\$ 3,369,982	\$ 523,299	\$ 3,893,281	\$ 2,039,280	\$ 149,006	\$ 2,188,286	\$ 6,081,567	\$ 5,941,484
Instructional personnel	147	7,897,888	939,264	8,837,152	-	-	-	8,837,152	8,086,989
Non-instructional personnel	<u>33</u>	<u>959,304</u>	<u>114,644</u>	<u>1,073,948</u>	<u>111,477</u>	<u>-</u>	<u>111,477</u>	<u>1,185,425</u>	<u>939,633</u>
Total personnel services costs	257	12,227,174	1,577,207	13,804,381	2,150,757	149,006	2,299,763	16,104,144	14,968,106
Fringe benefits and payroll taxes		2,250,084	286,358	2,536,442	346,087	21,081	367,168	2,903,610	2,634,178
Retirement		238,160	32,873	271,033	56,527	5,503	62,030	333,063	293,150
Legal service		-	-	-	45,911	-	45,911	45,911	44,379
Accounting / audit services		-	-	-	55,400	-	55,400	55,400	53,800
Other purchased / professional / consulting services		744,162	90,036	834,198	672,777	182	672,959	1,507,157	234,916
Building and land rent / lease		4,562,201	551,421	5,113,622	277,752	-	277,752	5,391,374	6,079,020
Repairs and maintenance		631,129	75,413	706,542	39,602	-	39,602	746,144	436,883
Insurance		6,527	778	7,305	247,790	-	247,790	255,095	215,544
Utilities		352,995	41,877	394,872	21,347	-	21,347	416,219	267,873
Supplies / materials		395,125	47,624	442,749	19,561	-	19,561	462,310	522,535
Equipment / furnishings		24,030	2,965	26,995	5,498	-	5,498	32,493	15,705
Staff development		47,752	5,785	53,537	56,229	-	56,229	109,766	102,315
Marketing / recruitment		-	-	-	303,417	568	303,985	303,985	153,442
Technology		54,161	6,631	60,792	303,982	-	303,982	364,774	386,477
Food services		835,475	98,718	934,193	-	-	-	934,193	592,760
Student services		228,430	146,819	375,249	-	-	-	375,249	270,781
Office expense		441,271	52,623	493,894	129,841	1,499	131,340	625,234	303,441
Depreciation and amortization		806,529	105,251	911,780	130,544	-	130,544	1,042,324	1,001,315
Other		-	-	-	78,250	-	78,250	78,250	26,153
		<u>\$ 23,845,205</u>	<u>\$ 3,122,379</u>	<u>\$ 26,967,584</u>	<u>\$ 4,941,272</u>	<u>\$ 177,839</u>	<u>\$ 5,119,111</u>	<u>\$ 32,086,695</u>	<u>\$ 28,602,773</u>

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

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

	Year ended June 30,	
	2022	2021
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 5,003,990	\$ 6,115,835
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Paycheck Protection Program loan forgiveness	(2,571,253)	-
Depreciation and amortization	1,042,324	1,001,315
Loss (gain) on sale of property and equipment	43,977	(42,623)
Gain on lease termination	-	(3,176,524)
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(1,739,290)	(699,201)
Prepaid expenses and other current assets	(203,376)	96,402
Accounts payable and accrued expenses	108,416	106,468
Accrued payroll and benefits	91,704	128,703
Vacation accrual	(95,153)	74,666
Deferred revenue	45,052	(59,600)
Deferred lease incentive	10,159	32,691
Deferred rent payable	67,299	1,079,151
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,803,849	4,657,283
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(759,704)	(1,490,550)
Proceeds from sale of property and equipment	-	67,497
Purchase of certificates of deposit	(10,267)	(26,750)
Change in due from related party	6,000	5,500
NET CASH USED FOR INVESTING ACTIVITIES	(763,971)	(1,444,303)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of capital leases payable	(83,845)	(118,082)
NET CASH USED FOR FINANCING ACTIVITIES	(83,845)	(118,082)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	956,033	3,094,898
Cash and cash equivalents and restricted cash at beginning of year	12,730,701	9,635,803
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 13,686,734	\$ 12,730,701



FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

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

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	<u>\$ 12,689</u>	<u>\$ 26,153</u>
<u>NON CASH INVESTING AND FINANCING ACTIVITIES</u>		
Capital lease payable incurred in connection with purchase of property and equipment	<u>\$ -</u>	<u>\$ 160,680</u>

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

## FAMILY LIFE ACADEMY CHARTER SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(With Comparative Totals for 2021)

#### NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### The Organization

Family Life Academy Charter Schools (the “Organization”) is an educational corporation operating in the borough of the Bronx, New York and is comprised of various individual charter schools.

Family Life Academy Charter School I (“FLACS I”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On May 14, 2001, the Board of Regents of the University of the State of New York granted FLACS I a provisional charter valid for a term of five years and renewable upon expiration. On May 20, 2008, August 19, 2013 and February 13, 2018, FLACS I obtained a five year renewal, which expires June 30, 2023. On March 17, 2022, FLACS I obtained a four year renewal, which expires July 31, 2027.

Family Life Academy Charter School II (“FLACS II”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On September 13, 2011, the Board of Regents of the University of the State of New York granted FLACS II a provisional charter valid for a term of five years and renewable upon expiration. On March 8, 2017, FLACS II obtained a five year renewal, which expired July 31, 2022. On March 17, 2022, FLACS II obtained a five year renewal, which expires July 31, 2027.

On March 31, 2014, the Board of Regents of the University of the State of New York amended the FLACS I charter agreement permitting additional schools under FLACS I’s educational corporation. During the 2014 fiscal year, FLACS I added Family Life Academy Charter School III (“FLACS III”) under its expanded charter. FLACS III had the authority to operate through July 31, 2019. On May 27, 2019, FLACS III obtained a five year renewal, which expires July 31, 2024. On March 17, 2022, FLACS III obtained a three year renewal, which expires July 31, 2027.

On June 6, 2019, the Board of Regents of the University of the State of New York amended the FLACS I charter agreement permitting additional schools under FLACS I’s educational corporation. During the 2019 fiscal year, FLACS I added Family Life Academy Charter School IV (“FLACS IV”) under its expanded charter. FLACS IV opened in September 2022 as Family Life Academy Charter Schools High School (“FLACS HS”).

FLACS I, FLACS II, FLACS III, and FLACS HS are schools in a predominately Latino community in the South Bronx. They seek to empower New York City English language learners in grades Kindergarten through Grade 8 to achieve high standards in English and to help them take responsibility for their own learning and encourage them to explore and affirm human values. On March 16, 2022, FLACS HS revised its charter to serve grades 9 through 12.

Family Life Academy Charter Schools Network (“FLACS N”) is a division of the educational corporation operating as a charter school management organization. FLACS N’s purpose is to manage and support a network of open-enrollment free charter schools committed to high academic standards, merit, citizenship and responsibility in New York City’s neediest neighborhoods.

##### Basis of presentation

The accompanying financial statements include the accounts of FLACS I, FLACS II, FLACS III, FLACS HS and FLACS N (collectively referred to as the “Organization”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

Basis of accounting

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

Classification of net assets

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

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

Net Assets Without Donor Restrictions

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

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. Net assets with donor restrictions were \$408,390 and \$515,922 at June 30, 2022 and 2021, respectively.

Revenue recognition

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

The Organization records substantially all revenues over time as follows:

Public school district revenue

The Organization recognizes revenue as educational programming is provided to students throughout the year. The Organization 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 Organization. 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 Organization and the district(s) and are paid or recouped.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

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 Organization 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 Organization 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:

	<u>June 30,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Grants and contracts receivables	\$ 44,319	\$ 44,183	\$ 319,411

Contributions

The Organization 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 received are recorded as without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as without donor restricted revenue.

Contributions are recorded as with donor restrictions 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.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

Grant revenue

Some of the Organization'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 Organization has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position and amounted to \$196,489 and \$151,437 at June 30, 2022 and 2021, respectively. The Organization received cost-reimbursement grants of approximately \$5,797,113 and \$146,970 that have not been recognized at June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and cash equivalents are maintained in certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Organization considers all highly liquid investments 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 Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Organization maintains cash in an escrow account, in accordance with the terms of its Charter Agreement. A portion of the escrow account is invested in a certificate of deposit with a maturity date of July 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.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from two to fifteen 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.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

Deferred revenue

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

Certificates of deposit

The Organization maintains its certificates of deposit at a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Organization's balance may exceed federally insured limits. The Organization has not experienced any losses in such account and does not believe it is exposed to any significant risk. Certificates of deposit have a maturity date of July 2022.

Tax exempt status

The Organization 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 Organization 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 Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed goods and services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Organization received transportation services, special education services and a school nurse for the students from the local district. The Organization was unable to determine a value for these services.

The Organization received contributed professional development and programming services and contributed goods which were valued at approximately \$1,300 and \$8,400 for the years ended June 30, 2022 and 2021, respectively. These amounts are included in in-kind revenue in the accompanying statement of activities and changes in net assets.

Marketing costs

The Organization expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$304,000 and \$153,000 for the years ended June 30, 2022 and 2021, respectively.

Comparative information for the 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 Organization's financial statements for the year ended June 30, 2021 from which the summarized information was derived.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

Use of estimates in the preparation of financial statements

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

Reclassifications

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

New accounting pronouncement - 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 Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

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-kinds 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 is being applied on a retrospective basis. The Organization adopted this standard during the year ended June 30, 2022. There were no material in-kind contributions for the years ended June 30, 2022 and 2021.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 20, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2022 and 2021.

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:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 13,511,734	\$ 12,555,701
Certificates of deposit	2,361,312	2,351,045
Grants and other receivables	<u>4,132,797</u>	<u>2,393,507</u>
Total financial assets available within one year	20,005,843	17,300,253
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(408,390)</u>	<u>(515,922)</u>
Total amount unavailable for general expenditures within one year	<u>(408,390)</u>	<u>(515,922)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 19,597,453</u>	<u>\$ 16,784,331</u>

The Organization has a \$400,000 line of credit that they could draw upon in the event of unanticipated liquidity needs. At June 30, 2022 and 2021, there were no amounts outstanding on this line.



FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE C: RELATED PARTY TRANSACTIONS

FLACS N receives a management allocation from FLACS I, FLACS II, and FLACS III (the “Charter Schools”). The Organization pays for certain operating expenses that benefit the entire organization and then allocates to each Charter School a percentage of these expenses based on the full-time equivalent student enrollment at each Charter School. FLACS N was allocated \$1,138,543 from FLACS I, \$2,261,307 from FLACS II, and \$867,723 from FLACS III for the year ended June 30, 2022. FLACS N was allocated \$1,085,180 from FLACS I, \$2,339,862 from FLACS II, and \$670,915 from FLACS III for the year ended June 30, 2021.

Classrooms and office facilities of FLACS I are leased from LPAC, whose President is a member of the Board of the Organization. See Note G for further details and future minimum lease payments. During the years ended June 30, 2022 and 2021, the Organization had approximately \$46,000 and \$52,000, respectively, of receivables from LPAC.

The Organization is a guarantor of a mortgage in the name of LPAC. The term of the guarantee on the LPAC mortgage is through January 2018, at which time an option to extend for an additional 5 years was granted, until January 2023. The Organization would be required to pay the loan in the event of default and as of June 30, 2022 and 2021, the outstanding balance of the mortgage note is approximately \$1,460,000 and \$1,503,000, respectively. At June 30, 2022 and 2021, the maximum amount of future payments (undiscounted) the Organization could be required to make under the guarantee is \$2,269,000 and \$2,378,000, respectively.

During December 2020, HB Foundation (“HB”), a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code was formed. HB is the sole member of Highbridge Facilities LLC (“Highbridge”). Highbridge issued bonds to purchase the properties of FLACS II middle school, FLACS III and the property where FLACS HS will be located. The Organization became the guarantor of the bonds. The aggregate principal balance of the bonds at June 30, 2022 and 2021 was approximately \$124,485,000 and \$125,100,000, respectively. At June 30, 2022 and 2021, the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee was approximately \$267,776,162 and \$277,858,307, respectively. The Organization fully expects the bond payable will be repaid by Highbridge in accordance with its terms.

In connection with the bond agreement, the Organization must comply with certain covenants. The Organization was in compliance with these covenants for the years ended June 30, 2022 and 2021.

The lease agreements for the FLACS II middle school and FLACS III facilities were terminated in December 2020. In December 2020, the Organization entered into lease agreements with Highbridge for the FLACS II middle school, FLACS III and FLACS HS facilities. See Note G.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

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>
Leasehold improvements	\$ 4,793,497	\$ 4,550,988
Furniture and fixtures	1,760,426	1,765,620
Computers and equipment	<u>3,634,031</u>	<u>3,180,147</u>
	10,187,954	9,496,755
Less accumulated depreciation and amortization	<u>6,587,523</u>	<u>5,569,727</u>
	<u>\$ 3,600,431</u>	<u>\$ 3,927,028</u>

At June 30, 2022 and 2021, \$422,269 and \$297,269, respectively of construction in progress was included in leasehold improvements; which was mainly for a future building project for FLACS HS and for improvements to the FLACS II middle school facility expected to be utilized in the 2023 school year.

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense was \$1,042,324 and \$1,001,315 for the years ended June 30, 2022 and 2021, respectively.

NOTE E: CAPITAL LEASES PAYABLE

The Organization entered into a capital lease payable during November 2019, payable in annual installments, including interest at .457% per annum, through August 2021. The capital lease payable is secured by certain equipment. The capital lease had no balance outstanding as of June 30, 2022. The capital lease had \$30,474 outstanding as of June 30, 2021.

The lease agreement is through August 2022 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2022 and 2021. The net book value of this equipment was \$47,708 and \$68,155 at June 30, 2022 and 2021, respectively.

The Organization entered into a capital lease payable during July 2020, payable in annual installments, including interest at .351% per annum, through August 2022. The capital lease payable is secured by certain equipment. The capital lease had \$53,843 and \$107,214 outstanding as of June 30, 2022 and 2021, respectively.

The lease agreement is through July 2022 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2022. The net book value of this equipment was \$80,340 and \$133,901 at June 30, 2022 and 2021, respectively.

Interest expense related to the capital leases was \$12,901 and \$26,153 during the years ended June 30, 2022 and 2021, respectively.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE E: CAPITAL LEASES PAYABLE, Cont'd

The future maturities of the capital leases payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ <u>53,843</u>

NOTE F: EQUIPMENT LEASES

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through July 2024. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 62,330
2024	28,655
2025	<u>2,388</u>
	<u>\$ 93,373</u>

NOTE G: SCHOOL FACILITIES

FLACS I leased classrooms and office facilities under a non-cancelable lease agreement originally expiring in June 2018. The lease was amended effective September 1, 2016 with an expiration date of June 30, 2022 and a revised payment schedule. In June 2022, the lease was extended to September 30, 2022. FLACS I's base rent for the years ended June 30, 2022 and 2021 was \$1,068,947 and \$1,037,811, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2022 and 2021. As of the report date, the Organization is still in negotiations to renew this lease and paying on a month to month basis until an agreement is finalized.

Total rent expense relative to this lease was \$993,577 for the years ended June 30, 2022 and 2021. In conjunction with this facility lease, FLACS I paid a security deposit of \$155,833 which is included in security deposits on the accompanying statement of financial position at June 30, 2022 and 2021.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE G: SCHOOL FACILITIES, Cont'd

FLACS II leases classrooms and office facilities under a non-cancelable lease agreement expiring in June 2038 which they assumed from their former landlord effective January 2015. FLACS II's base rent for the years ended June 30, 2022 and 2021 was \$641,053 and \$616,397, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2022 and 2021. In connection with the assumption of this lease, the former landlord agreed to share in the cost of FLACS II making certain leasehold improvements to the building in accordance with the terms of the agreement. During the year ended June 30, 2022, \$38,637 had been advanced to FLACS II in addition to total advances of \$585,877 made in prior years and are recorded as a "Deferred lease incentive" on the accompanying statement of financial position. These reimbursements will be recognized as a reduction of rent expense on a straight-line basis over the term of the lease. Rent expense relative to this lease was \$771,328 and \$774,157 for the years ended June 30, 2022 and 2021, respectively. Also in conjunction with this facility lease, FLACS II paid a security deposit of \$163,477, as of June 30, 2019 and received a credit towards this deposit of \$14,005 during 2020, leaving a balance of \$149,472 at June 30, 2022 and 2021, which is included in security deposits on the accompanying statement of financial position at June 30, 2022 and 2021.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 666,695
2024	693,363
2025	721,098
2026	749,942
2027	779,939
Thereafter	<u>10,939,278</u>
	<u>\$ 14,550,315</u>

On August 11, 2017, FLACS II signed a lease agreement with CG Educational Holdings, Inc. ("CG") for a middle school building. The lease had a twenty year term upon completion of the building. The certificate of occupancy was issued April 30, 2019 and FLACS II had access to the building at that time. Rent payments commenced July 1, 2019 and go through July 1, 2038. The original lease term was scheduled to end on June 30, 2039. The lease with CG was terminated in December 2020. The deferred rent payable balance was written off and a gain of \$1,696,822 was recorded to "Gain on lease termination" in the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE G: SCHOOL FACILITIES, Cont'd

On December 22, 2020, FLACS II entered into a lease agreement for its middle school with Highbridge. Rent payments commenced January 1, 2021 and go through June 30, 2055. FLACS II middle school's base rent for the year ended June 30, 2022 was \$2,630,417. The base rent for the period January 1, 2021 through June 30, 2021 was \$993,760. The base rent increases in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2022 and 2021. During the year ended June 30, 2022, a portion of the FLACS II facility was used for FLACS III students; therefore, \$263,042 of this base rent was allocated to FLACS III. Rent expense relative to this lease was \$2,620,644 and \$3,047,712, respectively, for the years ended June 30, 2022 and 2021.

In connection with the Highbridge agreement, the lease requires certain covenants to be met. The Organization was in compliance with these covenants for the years ended June 30, 2022 and 2021.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 2,684,608
2024	2,701,501
2025	2,707,408
2026	2,725,922
2027	2,654,028
Thereafter	<u>73,314,570</u>
	<u>\$ 86,788,037</u>

FLACS III leases classrooms and office facilities under an original lease agreement which was scheduled to expire in August 2036. The lease with was terminated in December 2020. The deferred rent payable balance was written off and a gain of \$1,479,702 was recorded to "Gain on lease termination" in the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

On December 22, 2020, FLACS III entered into a lease agreement with Highbridge. Rent payments commenced on January 1, 2021 and go through June 30, 2055. FLACS III's base rent for the year ended June 30, 2022 was \$899,706. FLACS III's base rent for the period January 1, 2021 through June 30, 2021 was \$340,224. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2022 and 2021. Rent expense was \$893,393 and \$1,081,968 for the years ended June 30, 2022 and 2021, respectively.

In connection with the Highbridge agreement, the lease requires certain covenants to be met. The Organization was in compliance with these covenants for the years ended June 30, 2022 and 2021.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE G: SCHOOL FACILITIES, Cont'd

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 922,965
2024	920,683
2025	924,939
2026	926,800
2027	899,072
Thereafter	<u>24,987,664</u>
	<u>\$ 29,582,123</u>

On December 22, 2020, FLACS HS entered into a lease agreement with Highbridge for a new school building as described in Note C. The lease has a thirty five year term upon completion of the building, and payments are to be determined upon completion of the building. The building is expected to be completed in July 2024. The building was originally projected to be completed in September 2022. Even though the construction has been delayed by two years, FLACS HS is required to make the originally scheduled payments.

The estimated future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 1,185,000
2024	2,316,000
2025	3,998,465
2026	5,023,465
2027	5,133,686
Thereafter	<u>140,692,209</u>
	<u>\$ 158,348,825</u>

The total lease expense for all these leases, as outlined above, was approximately \$5,279,000 and \$5,923,000 for the years ended June 30, 2022 and 2021, respectively.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE H: RETIREMENT PLAN

The Organization sponsors a 401(k) plan (the “Plan”) for all eligible employees that are predominantly funded by employees’ contributions. The Organization matches employees’ contributions up to 4% of their annual salary. During the years ended June 30, 2022 and 2021, the Organization contributed approximately \$316,100 and \$281,800, respectively, to the Plan.

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 Organization. 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, approximately 83% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2022, 69% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization’s students are located.

At June 30, 2021, approximately 98% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2021, 78% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization’s students are located.

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Undesignated	\$ 15,395,307	\$ 10,041,033
Invested in property and equipment, net of related debt	<u>3,546,588</u>	<u>3,789,340</u>
	<u>\$ 18,941,895</u>	<u>\$ 13,830,373</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE K: NET ASSETS, Cont'd

Net assets with donor restrictions are as follows:

	June 30,	
	2022	2021
Music program	\$ 4,659	\$ 5,816
Wellness program	2,141	2,141
Display boards	-	15,000
High school project	15,000	-
Rental assistance	375,000	375,000
Middle school art curriculum	835	835
High school placement program	6,930	97,836
Middle school yoga class	1,000	-
Healthy farm box project	-	4,125
K-2 home library project	-	10,819
Professional development program	2,825	4,350
	<u>\$ 408,390</u>	<u>\$ 515,922</u>

NOTE L: LINE OF CREDIT

In July 2018, the Organization entered into a line of credit agreement with a bank with maximum borrowings of \$400,000. The line bears interest at the prime rate plus 2% per annum and is secured primarily by the assets of the Organization. There was no balance outstanding at June 30, 2022 or 2021. The line expires in November 2022.

NOTE M: LONG TERM DEBT

In response to the COVID-19 outbreak, in April 2020 the Organization applied for and was approved by a bank for a loan of \$2,571,523 through the Paycheck Protection Program established by the Small Business Administration. The loan has a maturity of 2 years and an interest rate of 1%. The loan had the potential for forgiveness provided certain requirements were met by the Organization. The loan was funded on May 5, 2020. Due to the potential of forgiveness, repayment terms had not been finalized as of June 30, 2021; therefore, the entire balance had been classified as long-term at June 30, 2021. On August 25, 2021, the loan was forgiven in full, plus any accrued interest. The forgiveness of the loan is shown in the accompanying statement of activities and changes in net assets as Paycheck Protection Program loan forgiveness.

NOTE N: 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 are allocated on the basis of estimates of time and effort.



FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE O: CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents and restricted cash balances at June 30, 2022 and 2021 consisted of the following:

	June 30,	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 13,511,734	\$ 12,555,701
Cash in escrow	<u>175,000</u>	<u>175,000</u>
	<u>\$ 13,686,734</u>	<u>\$ 12,730,701</u>

NOTE P: ACCOUNTING 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 Organization’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 Organization 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 Organization has recognized \$2,926,570 and \$737,354 of revenue relative to ESSER grants during the years ended June 30, 2022 and 2021, respectively.

The Emergency Connectivity Fund (ECF) was also established to award grants to state and local educational agencies. The Organization has recognized \$338,011 of revenue relative to ECF grants during the year ended June 30, 2022.

**FAMILY LIFE ACADEMY CHARTER SCHOOLS**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Family Life Academy Charter Schools

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2022, and have issued our report thereon dated October 20, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2022, as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 20, 2022

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2022

<u>ASSETS</u>	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter Schools HS</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT ASSETS</u>							
Cash and cash equivalents	\$ 1,991,067	\$ 5,364,246	\$ 2,473,152	\$ 133,018	\$ 3,550,251	\$ -	\$ 13,511,734
Certificates of deposit	35,969	2,325,343	-	-	-	-	2,361,312
Grants and other receivables	938,579	1,547,462	890,740	435,571	320,445	-	4,132,797
Interschool receivables	-	-	-	-	328,338	(328,338)	-
Prepaid expenses and other current assets	123,295	209,106	51,218	95,561	60,988	-	540,168
TOTAL CURRENT ASSETS	<u>3,088,910</u>	<u>9,446,157</u>	<u>3,415,110</u>	<u>664,150</u>	<u>4,260,022</u>	<u>(328,338)</u>	<u>20,546,011</u>
<u>PROPERTY AND EQUIPMENT, net</u>	447,333	2,477,799	416,663	125,861	132,775	-	3,600,431
<u>OTHER ASSETS</u>							
Security deposits	155,833	149,472	-	-	-	-	305,305
Cash in escrow	175,000	-	-	-	-	-	175,000
Due from related party	45,732	-	-	-	-	-	45,732
	<u>376,565</u>	<u>149,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>526,037</u>
TOTAL ASSETS	<u>\$ 3,912,808</u>	<u>\$ 12,073,428</u>	<u>\$ 3,831,773</u>	<u>\$ 790,011</u>	<u>\$ 4,392,797</u>	<u>\$ (328,338)</u>	<u>\$ 24,672,479</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION BY CHARTER, Cont'd

JUNE 30, 2022

<u>LIABILITIES AND NET ASSETS</u>	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter Schools HS</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT LIABILITIES</u>							
Current portion of capital leases payable	\$ -	\$ -	\$ -	\$ -	\$ 53,843	\$ -	\$ 53,843
Accounts payable and accrued expenses	101,291	145,146	55,817	46,882	200,933	-	550,069
Interschool payables	59,945	25,317	10,184	232,892	-	(328,338)	-
Accrued payroll and benefits	357,862	715,188	325,520	1,459	126,699	-	1,526,728
Vacation accrual	48,951	139,832	58,141	11,365	120,762	-	379,051
Deferred revenue	1,615	5,053	159,821	30,000	-	-	196,489
TOTAL CURRENT LIABILITIES	<u>569,664</u>	<u>1,030,536</u>	<u>609,483</u>	<u>322,598</u>	<u>502,237</u>	<u>(328,338)</u>	<u>2,706,180</u>
<u>OTHER LIABILITIES</u>							
Deferred lease incentive	-	455,641	-	-	-	-	455,641
Deferred rent payable	-	2,060,216	100,157	-	-	-	2,160,373
	<u>-</u>	<u>2,515,857</u>	<u>100,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,616,014</u>
TOTAL LIABILITIES	<u>569,664</u>	<u>3,546,393</u>	<u>709,640</u>	<u>322,598</u>	<u>502,237</u>	<u>(328,338)</u>	<u>5,322,194</u>
<u>NET ASSETS</u>							
Without donor restrictions	3,336,344	8,518,270	3,122,133	77,413	3,887,735	-	18,941,895
With donor restrictions	6,800	8,765	-	390,000	2,825	-	408,390
	<u>3,343,144</u>	<u>8,527,035</u>	<u>3,122,133</u>	<u>467,413</u>	<u>3,890,560</u>	<u>-</u>	<u>19,350,285</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,912,808</u>	<u>\$ 12,073,428</u>	<u>\$ 3,831,773</u>	<u>\$ 790,011</u>	<u>\$ 4,392,797</u>	<u>\$ (328,338)</u>	<u>\$ 24,672,479</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2022

	Family Life Academy Charter School I	Family Life Academy Charter School II	Family Life Academy Charter School III	Family Life Academy Charter Schools HS	Family Life Academy Charter School Network	Eliminations	Total
Revenue, gains and other support:							
Public school district:							
Resident student enrollment	\$ 6,523,318	\$ 12,319,273	\$ 4,252,747	\$ -	\$ -	\$ -	\$ 23,095,338
Students with disabilities	141,044	569,156	57,405	-	-	-	767,605
Grants and contracts:							
State and local	37,269	60,751	18,668	-	-	-	116,688
Federal - Title and IDEA	404,431	587,159	197,081	-	-	-	1,188,671
Federal - other	923,119	1,755,447	891,828	420,571	-	-	3,990,965
Food service/Child Nutrition Program	290,846	508,717	260,423	-	-	-	1,059,986
NYC DOE rental assistance	-	2,967,317	1,162,747	-	-	-	4,130,064
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<b>8,320,027</b>	<b>18,767,820</b>	<b>6,840,899</b>	<b>420,571</b>	<b>-</b>	<b>-</b>	<b>34,349,317</b>
Expenses:							
Program services:							
Regular education	5,825,803	12,824,247	5,047,399	-	1,803,575	(1,655,819)	23,845,205
Special education	692,744	1,771,463	617,764	-	484,235	(443,827)	3,122,379
Total program services	6,518,547	14,595,710	5,665,163	-	2,287,810	(2,099,646)	26,967,584
Management and general	1,083,185	2,349,049	929,044	395,672	2,190,081	(2,005,759)	4,941,272
Fundraising and special events	43,313	86,594	33,011	-	177,089	(162,168)	177,839
<b>TOTAL OPERATING EXPENSES</b>	<b>7,645,045</b>	<b>17,031,353</b>	<b>6,627,218</b>	<b>395,672</b>	<b>4,654,980</b>	<b>(4,267,573)</b>	<b>32,086,695</b>
<b>SURPLUS (DEFICIT) / FROM SCHOOL OPERATIONS</b>	<b>674,982</b>	<b>1,736,467</b>	<b>213,681</b>	<b>24,899</b>	<b>(4,654,980)</b>	<b>4,267,573</b>	<b>2,262,622</b>
Support and other revenue:							
Contributions:							
Foundations	-	6,761	-	15,000	20,020	-	41,781
Individuals	-	2,827	320	-	5,381	-	8,528
Corporations	10,000	-	-	-	-	-	10,000
In-kind	-	1,333	-	-	-	-	1,333
Management fee income	-	-	-	-	4,267,573	(4,267,573)	-
Fundraising	-	-	295	-	210	-	505
Interest income	11,599	34,977	12,886	1,136	13,767	-	74,365
Income from forgiveness of long term debt	-	-	-	-	2,604,856	-	2,604,856
<b>TOTAL SUPPORT AND OTHER REVENUE</b>	<b>21,599</b>	<b>45,898</b>	<b>13,501</b>	<b>16,136</b>	<b>6,911,807</b>	<b>(4,267,573)</b>	<b>2,741,368</b>
<b>CHANGE IN NET ASSETS</b>	<b>696,581</b>	<b>1,782,365</b>	<b>227,182</b>	<b>41,035</b>	<b>2,256,827</b>	<b>-</b>	<b>5,003,990</b>
Net assets at beginning of year	2,646,563	6,744,670	2,894,951	426,378	1,633,733	-	14,346,295
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 3,343,144</b>	<b>\$ 8,527,035</b>	<b>\$ 3,122,133</b>	<b>\$ 467,413</b>	<b>\$ 3,890,560</b>	<b>\$ -</b>	<b>\$ 19,350,285</b>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –  
FAMILY LIFE ACADEMY CHARTER SCHOOL I

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	10	\$ 487,514	\$ 51,994	\$ 539,508	\$ 134,589	\$ -	\$ 134,589	\$ 674,097
Instructional personnel	39	2,088,154	222,703	2,310,857	-	-	-	2,310,857
Non-instructional personnel	9	265,212	28,285	293,497	29,835	-	29,835	323,332
Total personnel services costs	58	2,840,880	302,982	3,143,862	164,424	-	164,424	3,308,286
Fringe benefits and payroll taxes		508,801	54,264	563,065	29,448	-	29,448	592,513
Retirement		43,441	4,633	48,074	2,514	-	2,514	50,588
Other purchased / professional / consulting services		632,189	138,813	771,002	680,017	43,313	723,330	1,494,332
Building and land rent / lease		853,203	90,994	944,197	49,382	-	49,382	993,579
Repairs and maintenance		180,717	19,302	200,019	10,745	-	10,745	210,764
Insurance		1,738	185	1,923	63,885	-	63,885	65,808
Utilities		114,906	12,255	127,161	6,651	-	6,651	133,812
Supplies / materials		81,371	8,678	90,049	-	-	-	90,049
Equipment / furnishings		3,199	341	3,540	185	-	185	3,725
Staff development		2,658	284	2,942	1,306	-	1,306	4,248
Marketing / recruitment		-	-	-	107	-	107	107
Technology		10,967	1,170	12,137	48,874	-	48,874	61,011
Food services		259,080	27,631	286,711	-	-	-	286,711
Student services		50,257	5,360	55,617	-	-	-	55,617
Office expense		87,553	9,338	96,891	7,946	-	7,946	104,837
Depreciation and amortization		154,843	16,514	171,357	8,962	-	8,962	180,319
Other		-	-	-	8,739	-	8,739	8,739
		<u>\$ 5,825,803</u>	<u>\$ 692,744</u>	<u>\$ 6,518,547</u>	<u>\$ 1,083,185</u>	<u>\$ 43,313</u>	<u>\$ 1,126,498</u>	<u>\$ 7,645,045</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –  
FAMILY LIFE ACADEMY CHARTER SCHOOL II

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	26	\$ 1,139,998	\$ 146,576	\$ 1,286,574	\$ 300,645	\$ -	\$ 300,645	\$ 1,587,219
Instructional personnel	73	3,977,665	511,429	4,489,094	-	-	-	4,489,094
Non-instructional personnel	18	520,425	66,914	587,339	60,185	-	60,185	647,524
Total personnel services costs	117	5,638,088	724,919	6,363,007	360,830	-	360,830	6,723,837
Fringe benefits and payroll taxes		1,131,331	145,461	1,276,792	72,404	-	72,404	1,349,196
Retirement		99,435	12,785	112,220	6,364	-	6,364	118,584
Other purchased / professional / consulting services		1,297,060	289,352	1,586,412	1,341,912	86,026	1,427,938	3,014,350
Building and land rent / lease		2,717,953	349,462	3,067,415	173,945	-	173,945	3,241,360
Repairs and maintenance		335,550	43,143	378,693	21,475	-	21,475	400,168
Insurance		3,455	444	3,899	129,082	-	129,082	132,981
Utilities		178,498	22,950	201,448	11,424	-	11,424	212,872
Supplies / materials		211,698	27,219	238,917	-	-	-	238,917
Equipment / furnishings		17,575	2,260	19,835	1,125	-	1,125	20,960
Staff development		14,763	1,898	16,661	8,125	-	8,125	24,786
Marketing / recruitment		-	-	-	16,055	568	16,623	16,623
Technology		37,605	4,835	42,440	117,655	-	117,655	160,095
Food services		393,920	50,648	444,568	-	-	-	444,568
Student services		106,005	13,630	119,635	-	-	-	119,635
Office expense		168,543	21,671	190,214	58,396	-	58,396	248,610
Depreciation and amortization		472,768	60,786	533,554	30,257	-	30,257	563,811
		<u>\$ 12,824,247</u>	<u>\$ 1,771,463</u>	<u>\$ 14,595,710</u>	<u>\$ 2,349,049</u>	<u>\$ 86,594</u>	<u>\$ 2,435,643</u>	<u>\$ 17,031,353</u>



FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-  
FAMILY LIFE ACADEMY CHARTER SCHOOL III

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	10	\$ 481,868	\$ 53,953	\$ 535,821	\$ 115,154	\$ -	\$ 115,154	\$ 650,975
Instructional personnel	35	1,832,069	205,132	2,037,201	-	-	-	2,037,201
Non-instructional personnel	<u>6</u>	<u>173,667</u>	<u>19,445</u>	<u>193,112</u>	<u>21,457</u>	<u>-</u>	<u>21,457</u>	<u>214,569</u>
Total personnel services costs	51	2,487,604	278,530	2,766,134	136,611	-	136,611	2,902,745
Fringe benefits and payroll taxes		431,604	48,325	479,929	23,702	-	23,702	503,631
Retirement		48,731	5,456	54,187	2,676	-	2,676	56,863
Other purchased / professional / consulting services		467,132	104,925	572,057	567,299	33,011	600,310	1,172,367
Building and land rent / lease		991,045	110,965	1,102,010	54,425	-	54,425	1,156,435
Repairs and maintenance		113,817	12,744	126,561	6,250	-	6,250	132,811
Insurance		1,333	149	1,482	49,368	-	49,368	50,850
Utilities		59,591	6,672	66,263	3,272	-	3,272	69,535
Supplies / materials		60,778	6,805	67,583	-	-	-	67,583
Equipment / furnishings		3,255	364	3,619	179	-	179	3,798
Staff development		1,987	223	2,210	2,856	-	2,856	5,066
Marketing / recruitment		-	-	-	354	-	354	354
Technology		5,591	626	6,217	59,668	-	59,668	65,885
Food services		181,313	20,301	201,614	-	-	-	201,614
Student services		24,204	2,710	26,914	-	-	-	26,914
Office expense		67,496	7,558	75,054	16,787	-	16,787	91,841
Depreciation and amortization		<u>101,918</u>	<u>11,411</u>	<u>113,329</u>	<u>5,597</u>	<u>-</u>	<u>5,597</u>	<u>118,926</u>
		<u>\$ 5,047,399</u>	<u>\$ 617,764</u>	<u>\$ 5,665,163</u>	<u>\$ 929,044</u>	<u>\$ 33,011</u>	<u>\$ 962,055</u>	<u>\$ 6,627,218</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-  
FAMILY LIFE ACADEMY CHARTER SCHOOLS HS

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	4	\$ -	\$ -	\$ -	\$ 271,063	\$ -	\$ 271,063	\$ 271,063
Instructional personnel	-	-	-	-	-	-	-	-
Non-instructional personnel	-	-	-	-	-	-	-	-
Total personnel services costs	4	-	-	-	271,063	-	271,063	271,063
Fringe benefits and payroll taxes		-	-	-	48,239	-	48,239	48,239
Other purchased / professional / consulting services		-	-	-	1,529	-	1,529	1,529
Insurance		-	-	-	559	-	559	559
Supplies / materials		-	-	-	19,561	-	19,561	19,561
Equipment / furnishings		-	-	-	957	-	957	957
Staff development		-	-	-	6,729	-	6,729	6,729
Marketing / recruitment		-	-	-	30,677	-	30,677	30,677
Technology		-	-	-	6,327	-	6,327	6,327
Office expense		-	-	-	7,793	-	7,793	7,793
Depreciation and amortization		-	-	-	2,238	-	2,238	2,238
		\$ -	\$ -	\$ -	\$ 395,672	\$ -	\$ 395,672	\$ 395,672

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-  
FAMILY LIFE ACADEMY CHARTER SCHOOL NETWORK

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	27	\$ 1,260,602	\$ 270,776	\$ 1,531,378	\$ 1,217,829	\$ 149,006	\$ 1,366,835	\$ 2,898,213
Instructional personnel	-	-	-	-	-	-	-	-
Non-instructional personnel	-	-	-	-	-	-	-	-
Total personnel services costs	<u>27</u>	<u>1,260,602</u>	<u>270,776</u>	<u>1,531,378</u>	<u>1,217,829</u>	<u>149,006</u>	<u>1,366,835</u>	<u>2,898,213</u>
Fringe benefits and payroll taxes		178,344	38,308	216,652	172,294	21,081	193,375	410,027
Retirement		46,553	9,999	56,552	44,973	5,503	50,476	107,028
Legal service		-	-	-	45,911	-	45,911	45,911
Accounting / audit services		-	-	-	55,400	-	55,400	55,400
Other purchased / professional / consulting services		3,600	773	4,373	87,779	-	87,779	92,152
Repairs and maintenance		1,045	224	1,269	1,132	-	1,132	2,401
Insurance		-	-	-	4,896	-	4,896	4,896
Supplies / materials		41,278	4,922	46,200	-	-	-	46,200
Equipment / furnishings		-	-	-	3,052	-	3,052	3,052
Staff development		28,344	3,380	31,724	37,213	-	37,213	68,937
Marketing / recruitment		-	-	-	256,224	-	256,224	256,224
Technology		-	-	-	71,458	-	71,458	71,458
Food services		1,162	138	1,300	-	-	-	1,300
Student services		47,964	125,119	173,083	-	-	-	173,083
Office expense		117,683	14,056	131,739	38,919	1,499	40,418	172,157
Depreciation and amortization		77,000	16,540	93,540	83,490	-	83,490	177,030
Other		-	-	-	69,511	-	69,511	69,511
		<u>\$ 1,803,575</u>	<u>\$ 484,235</u>	<u>\$ 2,287,810</u>	<u>\$ 2,190,081</u>	<u>\$ 177,089</u>	<u>\$ 2,367,170</u>	<u>\$ 4,654,980</u>

**FAMILY LIFE ACADEMY CHARTER SCHOOLS**

**REPORT TO THE FINANCE COMMITTEE**

**JUNE 30, 2022**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2022

Finance Committee  
Family Life Academy Charter Schools

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2022, and have issued our report thereon dated October 20, 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 June 15, 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 Family Life Academy Charter Schools 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.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **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 CFO and Controller 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
- 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 Family Life Academy Charter Schools is included in Note A to the financial statements. As described in Note A to the financial statements, during the year, the Organization 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.

The most sensitive accounting estimates affecting the financial statements are the collectability of grants and other receivables, as well as the allocation of costs for the statement of functional expenses. We evaluated the key factors and assumptions used to develop these 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 judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Family Life Academy Charter Schools' financial statements relate to revenue and support recognition and lease commitments, which are referred to in the notes of the financial statements.

### **Identified or Suspected Fraud**

We have not identified or obtained information that indicates that fraud may have occurred.

### **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. No such misstatements were identified during our audit.

### **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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools, 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 Family Life Academy Charter Schools' auditors.

## Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

\* \* \* \* \*

Should you desire further information concerning these matters, Michelle Cain or Sylest Williams will be happy to meet with you at your convenience.

This letter is intended solely for the use of management, Finance Committee Members and the Board of Trustees of Family Life Academy Charter Schools and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

*Mengel, Metzger, Barr & Co. LLP*

MENGEL, METZGER, BARR & CO. LLP



**FAMILY LIFE ACADEMY CHARTER SCHOOLS**

**BRONX, 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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### SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE

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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  
Family Life Academy Charter Schools

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 Family Life Academy Charter Schools, 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 20, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Family Life Academy Charter Schools' 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 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 Family Life Academy Charter Schools' 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 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 is 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 20, 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  
Family Life Academy Charter Schools

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' major federal programs for the year ended June 30, 2022. Family Life Academy Charter Schools' 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, Family Life Academy Charter Schools 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 Family Life Academy Charter Schools 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools as of and for the year ended June 30, 2022, and have issued our report thereon dated October 20, 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 20, 2022

FAMILY LIFE ACADEMY CHARTER SCHOOLS

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	\$ 863,064
Title IIA - Improving Teacher Quality	84.367	0147	101,002
Title III, Part A - English Language Acquisition Grants	84.365	0293	40,854
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	0204	59,781
Charter Schools Program - Grants for Replication and Expansion of High-Quality Charter Schools	84.282M	U282M170049	456,428
<u>Education Stabilization Funds -</u>			
ESSER II - Elementary and Secondary School Emergency Relief Fund	84.425D	5891	1,282,194
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	5880	<u>1,644,376</u>
<i>Total Education Stabilization Funds</i>			<u>2,926,570</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			4,447,699
U.S. Department of Agriculture:			
<u>Passed through New York State Education Department:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	1000001406	271,699
National School Lunch Program	10.555	1000001406	588,523
Supply Chain Assistance - COVID	10.555	1000001406	31,059
Emergency Operational Cost - COVID	10.555	1000001406	<u>147,621</u>
<i>Total Child Nutrition Cluster</i>			<u>1,038,902</u>
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Cost Grant	10.649	1000001406	<u>2,404</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,041,306
Federal Communications Commission:			
<u>Passed through the Universal Service</u>			
<u>Administrative Company</u>			
Emergency Connectivity Fund Program-COVID	32.009	226316	87,155
Emergency Connectivity Fund Program-COVID	32.009	16067230	184,292
Emergency Connectivity Fund Program-COVID	32.009	16076310	<u>66,564</u>
TOTAL FEDERAL COMMUNICATIONS COMMISSION			<u>338,011</u>
TOTAL ALL PROGRAMS			<u>\$ 5,827,016</u>



FAMILY LIFE ACADEMY CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2022

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Life Academy Charter Schools 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.

Family Life Academy Charter Schools has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

FAMILY LIFE ACADEMY CHARTER SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022

SUMMARY OF AUDITOR'S RESULTS

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Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      x   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes      x   no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      x   none reported
- Type of auditor's report issued on compliance for major federal programs: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes      x   no

Identification of major federal program:

*AL Number:*

84.425D & 84.425U  
10.553 & 10.555

*Name of Federal Program or Cluster:*

ESSER II & ARP ESSER  
Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee?   x   yes    \_\_\_\_\_ no

FAMILY LIFE ACADEMY CHARTER SCHOOLS  
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.