
THE ACADEMY CHARTER SCHOOL

Financial Statements and Single Audit

For the years ended June 30, 2022 and 2021

THE ACADEMY CHARTER SCHOOL

Financial Statements

June 30, 2022 and 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Academy Charter School ("TACS") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of TACS as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 TACS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 TACS's ability to continue as a going concern within 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 TACS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TACS's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Report on Supplementary Information Required by New York State Education Department

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 21 to 26 is required by the New York State Department of Education who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 21 to 26 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of bonds covenants calculations, shown on page 27, and schedule of expenditures of federal awards, shown on page 28, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 on our consideration of TACS’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TACS’s 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 TACS’s internal control over financial reporting and compliance.

NChing LLP

New York, New York
October 31, 2022



THE ACADEMY CHARTER SCHOOL

Statements of Financial Position

As of June 30,

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 9,844,337	\$ 9,822,477
Restricted cash and escrow reserves - bond principal and interest - Note 4	2,259,563	1,611,034
Accounts and grants receivable - net	1,304,244	1,248,677
Grants receivable - government agencies	3,246,936	656,675
Due from affiliate - current portion - Note 10	250,209	-
Prepaid expenses	37,334	48,110
	<hr/>	<hr/>
Total current assets	16,942,623	13,386,973
Property and equipment, net - Note 5	117,277,032	106,898,072
Other assets		
Restricted cash and escrow reserves - Note 4	38,857,171	55,725,853
Due from affiliate - long-term portion - Note 10	2,911,728	-
Security deposits	124,657	72,090
	<hr/>	<hr/>
Total assets	<u>\$ 176,113,211</u>	<u>\$ 176,082,988</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,176,686	\$ 4,208,002
Accrued salaries and other payroll-related expenses - Note 12	5,271,537	3,434,749
Accrued interest payable	1,938,943	1,971,937
Bonds payable - current portion - Note 6	1,590,000	1,495,000
Line of credit - Note 8	2,500,000	-
Deferred revenue	-	60,355
	<hr/>	<hr/>
Total current liabilities	13,477,166	11,170,043
Bonds payable (long-term portion; net of unamortized deferred financing costs of \$5,097,024 in 2022 and \$5,286,385 in 2021) - Note 6	155,502,704	156,903,343
	<hr/>	<hr/>
Total liabilities	168,979,870	168,073,386
Net assets without donor restrictions		
Undesignated	6,949,649	7,826,421
Reserve - contingency	183,692	183,181
	<hr/>	<hr/>
Total net assets without donor restrictions	7,133,341	8,009,602
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 176,113,211</u>	<u>\$ 176,082,988</u>

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

THE ACADEMY CHARTER SCHOOL**Statements of Activities**

For the years ended June 30,

	<u>2022</u>	<u>2021</u>
<u>Operating revenue and other support</u>		
Public school districts		
General education	\$ 58,153,626	\$ 44,096,873
Special education	929,042	714,817
	<u>59,082,668</u>	<u>44,811,690</u>
Grants, contracts and other support		
Federal and state grants	7,248,237	7,226,544
Contributions and private grants	433,376	2,087,972
Interest and other income	824,850	227,454
	<u>67,589,131</u>	<u>54,353,660</u>
<u>Expenses</u>		
Program expenses		
Regular education	49,363,050	37,038,585
Food service	3,893,313	2,295,703
Special education	1,524,916	2,011,949
	<u>54,781,279</u>	<u>41,346,237</u>
Supporting services		
Management and general	13,684,113	9,620,043
	<u>68,465,392</u>	<u>50,966,280</u>
Change in net assets	(876,261)	3,387,380
Net assets without donor restrictions - beginning of year	8,009,602	4,622,222
	<u>\$ 7,133,341</u>	<u>\$ 8,009,602</u>

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

THE ACADEMY CHARTER SCHOOL
Statement of Functional Expenses
For the year ended June 30, 2022

	Program expenses				Supporting services	Total program and supporting services
	Regular education	Special education	Food service	Total programs	Management & general	
Salaries						
Administrative staff personnel	\$ 3,238,046	\$ 297,352	\$ -	\$ 3,535,398	\$ 3,231,053	\$ 6,766,451
Instructional personnel	21,444,653	473,529	-	21,918,182	-	21,918,182
Noninstructional personnel	269,303	-	926,711	1,196,014	4,794,620	5,990,634
Total salaries	<u>24,952,002</u>	<u>770,881</u>	<u>926,711</u>	<u>26,649,594</u>	<u>8,025,673</u>	<u>34,675,267</u>
Operating expenses						
Payroll taxes and fringe benefits	6,264,265	194,056	233,084	6,691,405	921,521	7,612,926
Retirement benefits	571,306	-	-	571,306	88,717	660,023
Financial and administrative	-	-	-	-	674,456	674,456
Administrative	179,767	3,239	3,865	186,871	38,885	225,756
Marketing and recruitment	227,834	7,381	-	235,215	-	235,215
Insurance	267,204	8,324	9,980	285,508	97,118	382,626
Legal and professional	667,647	15,822	54,861	738,330	155,370	893,700
Repairs and maintenance	1,728,954	69,143	515,691	2,313,788	143,555	2,457,343
Equipment leasing and maintenance	1,081,444	35,730	76,472	1,193,646	251,239	1,444,885
Staff development	651,128	21,206	1,887	674,221	148,447	822,668
Food costs	220,914	-	1,634,189	1,855,103	78,825	1,933,928
Student services and related activities	1,748,169	69,917	-	1,818,086	-	1,818,086
Supplies and instructional materials	1,195,458	36,683	-	1,232,141	-	1,232,141
Telephone and internet services	383,989	12,553	13,332	409,874	119,369	529,243
Occupancy	370,460	14,344	104,973	489,777	148,427	638,204
Other expenses	207,205	2,491	429	210,125	33,593	243,718
Interest expense - facilities loans	5,026,651	154,029	185,647	5,366,327	1,609,791	6,976,118
Interest expense - equipment lease	139,871	3,420	4,454	147,745	40,012	187,757
Depreciation	3,340,753	101,767	122,887	3,565,407	1,066,563	4,631,970
Amortization	138,029	3,930	4,851	146,810	42,552	189,362
Total operating expenses	<u>24,411,048</u>	<u>754,035</u>	<u>2,966,602</u>	<u>28,131,685</u>	<u>5,658,440</u>	<u>33,790,125</u>
Total expenses	<u>\$ 49,363,050</u>	<u>\$ 1,524,916</u>	<u>\$ 3,893,313</u>	<u>\$ 54,781,279</u>	<u>\$ 13,684,113</u>	<u>\$ 68,465,392</u>

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

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

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

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

THE ACADEMY CHARTER SCHOOL**Statements of Cash Flows**

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (876,261)	\$ 3,387,380
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,631,970	3,324,927
Amortization of debt issuance costs	189,362	1,400,643
Forgiveness of debt	-	(4,849,550)
Changes in operating assets and liabilities		
Accounts and grants receivable	(55,567)	87,716
Grants receivable - government agencies	(2,590,261)	(20,991)
Due from affiliates	(3,161,937)	-
Security deposits	(52,567)	120,000
Prepaid expenses	10,776	(45,643)
Accounts payable and accrued expenses	(2,031,317)	2,657,115
Accrued salaries and other payroll-related expenses	1,836,788	1,027,338
Accrued interest payable	(32,994)	(399,777)
Deferred revenue	(60,355)	(14,326)
Net cash (used in)/provided by operating activities	<u>(2,192,363)</u>	<u>6,674,832</u>
Cash flows used in investing activities		
Acquisition of property, plant and equipment	<u>(15,010,930)</u>	<u>(35,854,665)</u>
Net cash used in investing activities	<u>(15,010,930)</u>	<u>(35,854,665)</u>
Cash flows from financing activities		
Payments on bonds payable	(1,495,000)	(1,225,000)
Refunded bonds	-	(21,975,000)
Proceeds from bonds issuance	-	102,098,557
Draws on line of credit	5,200,000	-
Payments on line of credit	(2,700,000)	-
Repayments of loans	-	(2,000,000)
Net cash provided by financing activities	<u>1,005,000</u>	<u>76,898,557</u>
Net (decrease)/increase in cash, cash equivalents, and restricted cash	(16,198,293)	47,718,724
Cash, cash equivalents, and restricted cash - beginning of year	<u>67,159,364</u>	<u>19,440,640</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 50,961,071</u>	<u>\$ 67,159,364</u>
Supplemental cash flow disclosures		
Interest paid	<u>\$ 5,294,209</u>	<u>\$ 6,880,610</u>
Interest capitalized	<u>\$ 2,086,360</u>	<u>\$ 2,240,268</u>
Reconciliation of cash, cash equivalents and restricted cash balances:		
Cash and cash equivalents	\$ 9,844,337	\$ 9,822,477
Restricted cash and escrow reserves:		
Bond principal reserves	901,333	374,153
Bond interest reserves	1,358,230	1,236,881
Restricted cash - held by trustee	23,396,830	37,836,301
Debt service reserve fund	12,191,419	12,177,107
Capitalized interest reserve	2,784,887	5,229,230
Repairs and replacements	300,343	300,034
Restricted cash - contingency	183,692	183,181
Total restricted cash and escrow reserves	<u>41,116,734</u>	<u>57,336,887</u>
Total cash, cash equivalents and restricted cash	<u>\$ 50,961,071</u>	<u>\$ 67,159,364</u>

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

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2022 and 2021

Note 1 Organization

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

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

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

Note 2 Summary of significant accounting policies

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

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

Financial statement presentation. TACS reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of TACS.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TACS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2022 and 2021

Note 2 Summary of significant accounting policies – (continued)

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

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

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

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Accounts and grants receivable. Accounts and grants receivables (including grants receivable from government agencies) are recorded at net realizable value. The allowance for doubtful accounts is TACS's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Allowances recorded at June 30, 2022 and 2021 are \$291,981 and \$388,323, respectively.

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

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

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

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2022 and 2021

Note 2 Summary of significant accounting policies – (continued)

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

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

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

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

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

Debt issuance costs. Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the bonds payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using a straight-line method over the term of the related debt. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expenses for the years ended June 30, 2022 and 2021 was \$189,362 and \$1,400,643, respectively. During the year ended June 30, 2021, unamortized debt issuance costs in the amount of \$1,239,250 were written off as a result of the related debt extinguishment as described in Note 6.

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2022 and 2021

Note 2 Summary of significant accounting policies – (continued)

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if TACS has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements. Periods ending June 30, 2019 and subsequent remain subject to examination by the taxing authorities.

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

New accounting pronouncements. In February 2016, FASB issued ASU 2016-02, *Leases* (topic 842). The ASU which becomes effective for the fiscal year ending June 30, 2023, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

TACS is in the process of evaluating the impact the standard will have on the future financial statements.

Note 3 Liquidity and availability

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,844,337	\$ 9,822,477
Accounts and grants receivable – net	1,304,244	1,248,677
Due from government agencies	3,246,936	656,675
Due from affiliate – current portion	<u>250,209</u>	<u>-</u>
Total financial assets available for general expenditures within one year	<u>\$ 14,645,726</u>	<u>\$ 11,727,829</u>

These financial assets are not subject to donor or other contractual restrictions which would make them unavailable for general expenditures within one year of the balance sheet date. TACS structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, TACS may borrow from the available credit line described in Note 8.

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2022 and 2021

Note 4 Restricted cash and escrow reserves

Restricted cash and escrow reserve accounts as of June 30, 2022 and 2021 were as follows:

	2022		Total
	The Academy - Hempstead	The Academy - Uniondale	
Restricted cash and escrow reserves			
Bond principal reserve	\$ 822,503	\$ 78,830	\$ 901,333
Bond interest reserve	1,002,392	355,838	1,358,230
Total bond principal and interest reserve	1,824,895	434,668	2,259,563
Other restricted cash and escrow reserves:			
Restricted cash – held by trustee	213,601	23,183,229	23,396,830
Debt Service reserve fund	7,415,821	4,775,598	12,191,419
Capitalized interest reserve	220	2,784,667	2,784,887
Repairs and replacement	200,229	100,114	300,343
Restricted cash – contingency	81,140	102,552	183,692
	<u>7,911,011</u>	<u>30,946,160</u>	<u>38,857,171</u>
Total restricted cash and escrow reserves	<u>\$ 9,735,906</u>	<u>\$ 31,380,828</u>	<u>\$ 41,116,734</u>
	2021		Total
	The Academy - Hempstead	The Academy - Uniondale	
Restricted cash and escrow reserves			
Bond principal reserve	\$ 300,401	\$ 73,752	\$ 374,153
Bond interest reserve	876,078	360,803	1,236,881
Total bond principal and interest reserve	1,176,479	434,555	1,611,034
Other restricted cash and escrow reserves:			
Restricted cash – held by trustee	2,827,634	35,008,667	37,836,301
Debt Service reserve fund	7,407,115	4,769,992	12,177,107
Capitalized interest reserve	1,033,326	4,195,904	5,229,230
Repairs and replacement	200,023	100,011	300,034
Restricted cash – contingency	81,059	102,122	183,181
	<u>11,549,157</u>	<u>44,176,696</u>	<u>55,725,853</u>
Total restricted cash and escrow reserves	<u>\$ 12,725,636</u>	<u>\$ 44,611,251</u>	<u>\$ 57,336,887</u>

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2022 and 2021

Note 5 Property and equipment

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

	2022		Total
	The Academy - Hempstead	The Academy - Uniondale	
Land	\$ 790,000	\$ -	\$ 790,000
Building	64,250,655	31,062,538	95,313,193
Building improvements	4,920,145	2,017,257	6,937,402
Furniture and fixtures	3,401,221	1,769,471	5,170,692
Machinery and equipment	5,000	577,073	582,073
Educational equipment	474,425	27,807	502,232
Computer and office equipment	5,672,300	3,177,142	8,849,442
Construction in progress	-	16,967,870	16,967,870
Total property and equipment	79,513,746	55,599,158	135,112,904
Less: accumulated depreciation	(14,354,264)	(3,481,608)	(17,835,872)
Property and equipment, net	<u>\$ 65,159,482</u>	<u>\$ 52,117,550</u>	<u>\$ 117,277,032</u>
	2021		
	The Academy - Hempstead	The Academy - Uniondale	Total
Land	\$ 790,000	\$ -	\$ 790,000
Building	53,872,158	16,313,429	70,185,587
Building improvements	4,256,074	1,385,837	5,641,911
Furniture and fixtures	2,316,671	325,933	2,642,604
Machinery and equipment	5,000	74,035	79,035
Educational equipment	400,992	-	400,992
Computer and office equipment	4,555,481	1,344,890	5,900,371
Construction in progress	11,143,653	23,317,821	34,461,474
Total property and equipment	77,340,029	42,761,945	120,101,974
Less: accumulated depreciation	(11,578,751)	(1,625,151)	(13,203,902)
Property and equipment, net	<u>\$ 65,761,278</u>	<u>\$ 41,136,794</u>	<u>\$ 106,898,072</u>

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2022 and 2021

Note 6 Bonds payable

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

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

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

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

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2022 and 2021

Note 6 Bonds payable – (continued)

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

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

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2022 and 2021

Note 6 Bonds payable – (continued)

The summary of bonds payable at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Series 2017 Bonds	\$ 36,810,000	\$ 37,440,000
Series 2018 Bonds	21,070,000	21,365,000
Series 2020 Bonds	58,220,000	58,790,000
Series 2021 Bonds	<u>46,089,728</u>	<u>46,089,728</u>
Total bonds payable	162,189,728	163,684,728
Less: current portion	(1,590,000)	(1,495,000)
Less: unamortized debt issuance costs	<u>(5,097,024)</u>	<u>(5,286,385)</u>
Long-term bonds payable - net	<u>\$ 155,502,704</u>	<u>\$ 156,903,343</u>

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

<u>June 30,</u>	The Academy - Hempstead	The Academy - Uniondale	<u>Total</u>
2023	\$ 1,275,000	\$ 315,000	\$ 1,590,000
2024	1,585,765	719,235	2,305,000
2025	1,679,527	1,705,473	3,385,000
2026	1,765,256	1,799,744	3,565,000
2027	1,847,053	1,887,947	3,735,000
Thereafter	<u>64,544,972</u>	<u>83,064,756</u>	<u>147,609,728</u>
Total bonds payable	72,697,573	89,492,155	162,189,728
Less: current portion	(1,275,000)	(315,000)	(1,590,000)
Less: unamortized debt issuance costs	<u>(2,101,387)</u>	<u>(2,995,637)</u>	<u>(5,097,024)</u>
Long-term bonds payable - net	<u>\$ 69,321,186</u>	<u>\$ 86,181,518</u>	<u>\$ 155,502,704</u>

As of June 30, 2022, TACS was in compliance with all debt covenants pursuant to the bond agreements.

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2022 and 2021

Note 7 Concentrations of credit and revenue risks

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

For the years ended June 30, 2022 and 2021, TACS received approximately 87% and 82% of its operating revenue, which is subject to specific requirements, from per pupil funding primarily from the Districts of Hempstead and Uniondale, respectively. Additionally, TACS's grants receivable consists of approximately 100% from the New York State Education Department and one other organization.

Note 8 Line of credit

TACS has a \$4,500,000 revolving line of credit with a financial institution. The line of credit bears interest of 4.75%, secured by the non-real estate assets of TACS, and is due and payable upon demand by the bank. As of June 30, 2022 and 2021, the outstanding line of credit total balances were \$2,500,000 and \$0, respectively.

Note 9 Contingencies

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

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

THE ACADEMY CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2022 and 2021

Note 10 Due from affiliate

TACS is an affiliate of The Academy Charter School 2 (“TACS2”), another not-for-profit organization. TACS advanced funds to TACS2 to assist with startup, organizational, and construction costs. As of June 30, 2022, the total amount due from TACS2 was \$3,161,937, of which \$250,209 relates to operating costs and expected to be repaid within the next year, and \$2,911,728 relates to the construction costs and rehabilitation of the TACS2 property. The advances bear no interest and subject to repayment based upon board approval.

Note 11 Retirement plan

TACS offers a 401(k) plan for all qualifying employees. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make contributions (pre-tax and Roth), up to IRS limits for each calendar year. TACS matches an employee’s contribution up to 4% of the employee’s annual compensation. For the years ended June 30, 2022 and 2021, TACS’s matching contributions were \$660,023 and \$525,801, respectively. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the plan’s participants and beneficiaries. Effective January 1, 2022, TACS amended its defined contribution 401(k) Plan to allow TACS2 to become a participating Plan sponsor. As a result of this amendment, TACS2 employees are eligible to participate in the plan immediately upon employment.

Note 12 Accrued salary and other payroll-related expenses

Accrued payroll and other payroll-related expenses consist of amounts earned by the staff during the school year, but paid over the summer months, including the related payroll taxes and benefits. As of June 30, 2022 and 2021, accrued payroll amounted to \$4,198,010 and \$2,964,785, respectively. The other payroll-related accruals as of June 30, 2022 and 2021 amounted to \$1,073,527 and \$469,964, respectively.

Note 13 Ground lease agreement

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

THE ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2022 and 2021

Note 14 Loans payable

A) During 2020, the federal government established the Paycheck Protection Program (“PPP”) administered by the Small Business Administration to provide relief efforts to nonprofits and other small businesses with certain qualified business expenses pursuant to the Coronavirus Aid Relief and Economic Security Act (“CARES Act”). In April 2020, TACS obtained a \$4,349,550 term loan under the PPP. The loan accrued interest at 1% per annum and matures on April 15, 2022. Payments are not required for the first six months after the funding of the loan. The loan is uncollateralized and may be forgiven up to 100% if certain requirements are met.

On June 14, 2021, the PPP loan was forgiven and recognized as a federal grant on the June 30, 2021 statement of activities for the full amount of \$4,349,550.

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

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

Note 15 Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through October 31, 2022, which is the date the financial statements were available to be issued and has concluded that no subsequent events occurred that require an adjustment to or disclosure in the financial statements.

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

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 3,065,293	\$ 5,209,336
Restricted cash and escrow reserves - bond principal and interest	1,824,895	1,176,479
Accounts and grants receivable - net	682,545	964,614
Grants receivable - government agencies	2,528,058	574,924
Due from The Academy - Uniondale	3,055,342	437,636
Due from affiliate - current portion	250,209	-
Prepaid expenses	33,217	48,110
	<hr/>	<hr/>
Total current assets	11,439,559	8,411,099
Property and equipment, net	65,159,482	65,761,278
Other assets		
Restricted cash and escrow reserves	7,911,011	11,549,157
Due from affiliate - long-term portion	2,911,728	-
Security deposits	94,732	42,165
	<hr/>	<hr/>
Total assets	<u>\$ 87,516,512</u>	<u>\$ 85,763,699</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,419,005	\$ 2,873,803
Accrued salaries and other payroll-related expenses	3,365,072	2,818,477
Accrued interest payable	997,775	1,018,343
Bonds payable - current portion	1,275,000	1,200,000
Line of credit	2,500,000	-
Deferred revenue	-	49,787
	<hr/>	<hr/>
Total current liabilities	9,556,852	7,960,410
Bonds payable (long-term portion; net of unamortized deferred financing costs of \$2,101,387 in 2022 and \$2,182,090 in 2021)	69,321,186	70,515,483
	<hr/>	<hr/>
Total liabilities	78,878,038	78,475,893
Net assets without donor restrictions		
Undesignated	8,557,334	7,206,747
Reserve - contingency	81,140	81,059
	<hr/>	<hr/>
Total net assets without donor restrictions	8,638,474	7,287,806
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 87,516,512</u>	<u>\$ 85,763,699</u>

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

	<u>2022</u>	<u>2021</u>
<u>Operating revenue and other support</u>		
<u>Public school districts</u>		
General education	\$ 38,869,632	\$ 34,824,352
Special education	679,806	552,932
	<hr/>	<hr/>
Total state and local per pupil operating revenue	39,549,438	35,377,284
<u>Grants, contracts and other support</u>		
Federal and state grants	5,619,980	6,642,016
Contributions and private grants	102,896	2,086,935
Interest and other income	66,018	6,782
	<hr/>	<hr/>
Total operating revenue and other support	<u>45,338,332</u>	<u>44,113,017</u>
<u>Expenses</u>		
<u>Program expenses</u>		
Regular education	31,273,041	29,573,453
Food service	2,603,015	1,703,510
Special education	1,098,704	1,620,686
	<hr/>	<hr/>
Total program expenses	34,974,760	32,897,649
<u>Supporting Services</u>		
Management and general	9,012,904	7,527,861
	<hr/>	<hr/>
Total program and supporting services expenses	<u>43,987,664</u>	<u>40,425,510</u>
Change in net assets	1,350,668	3,687,507
Net assets without donor restrictions - beginning of year	7,287,806	3,600,299
	<hr/>	<hr/>
Net assets without donor restrictions - end of year	<u>\$ 8,638,474</u>	<u>\$ 7,287,806</u>

THE ACADEMY CHARTER SCHOOL

Statement of Functional Expenses: The Academy – Hempstead

For the year ended June 30, 2022

	Program expenses			Supporting services	Total program and supporting services
	Regular Education	Special Education	Food Service	Management & General	
Salaries					
Administrative staff personnel	\$ 1,836,750	\$ 163,541	\$ -	\$ 2,000,291	\$ 4,101,893
Instructional personnel	13,494,886	383,355	-	13,878,241	13,878,241
Noninstructional personnel	189,609	-	631,869	821,478	4,084,431
Total salaries	15,521,245	546,896	631,869	16,700,010	22,064,565
Payroll taxes and fringe benefits	3,942,337	138,909	160,492	4,241,738	4,850,656
Retirement benefits	401,120	-	-	401,120	459,897
Financial and administrative	-	-	-	-	439,707
Administrative	128,013	2,477	2,862	133,352	162,448
Marketing and recruitment	171,567	6,045	-	177,612	177,612
Insurance	172,181	6,067	7,009	185,257	251,919
Legal and professional	623,243	14,826	44,272	682,341	827,771
Repairs and maintenance	1,234,970	53,714	339,755	1,628,439	1,641,607
Equipment leasing and maintenance	740,720	27,283	50,430	818,433	969,317
Staff development	499,900	17,614	-	517,514	632,427
Food costs	145,728	-	1,081,298	1,227,026	1,291,955
Student services and activities	1,271,038	58,585	-	1,329,623	1,329,623
Supplies and instructional materials	721,903	25,436	-	747,339	747,339
Telephone and internet services	298,874	10,531	11,074	320,479	417,789
Occupancy	244,981	10,616	68,582	324,179	428,315
Other expenses	121,000	2,323	429	123,752	138,210
Interest expense - facilities loans	3,016,452	106,286	122,800	3,245,538	4,288,103
Interest expense - equipment lease	8,573	302	349	9,224	12,187
Depreciation	1,952,425	68,794	79,483	2,100,702	2,775,513
Amortization	56,771	2,000	2,311	61,082	80,704
Total operating expenses	15,751,796	551,808	1,971,146	18,274,750	21,923,099
Total expenses	\$ 31,273,041	\$ 1,098,704	\$ 2,603,015	\$ 34,974,760	\$ 43,987,664

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

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 6,779,044	\$ 4,613,141
Restricted cash and escrow reserves - bond principal and interest	434,668	434,555
Accounts and grants receivable - net	621,699	284,063
Grants receivable - government agencies	718,878	81,751
Prepaid expenses	4,117	-
Total current assets	<u>8,558,406</u>	<u>5,413,510</u>
Property and equipment, net	52,117,550	41,136,794
Other assets		
Restricted cash and escrow reserves	30,946,160	44,176,696
Security deposits	29,925	29,925
Total assets	<u><u>\$ 91,652,041</u></u>	<u><u>\$ 90,756,925</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 757,681	\$ 1,334,199
Accrued salaries and other payroll-related expenses	1,906,465	616,272
Accrued interest payable	941,168	953,594
Bonds payable - current portion	315,000	295,000
Deferred revenue	-	10,568
Due to The Academy - Hempstead	3,055,342	437,636
Total current liabilities	<u>6,975,656</u>	<u>3,647,269</u>
Bonds payable (long-term portion; net of unamortized deferred financing costs of \$2,995,637 in 2022 and \$3,104,295 in 2021)	<u>86,181,518</u>	<u>86,387,860</u>
Total liabilities	93,157,174	90,035,129
Net assets without donor restrictions		
Undesignated	(1,607,685)	619,674
Reserve - contingency	<u>102,552</u>	<u>102,122</u>
Total net assets without donor restrictions	<u>(1,505,133)</u>	<u>721,796</u>
Total liabilities and net assets	<u><u>\$ 91,652,041</u></u>	<u><u>\$ 90,756,925</u></u>

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

	<u>2022</u>	<u>2021</u>
<u>Operating revenue and other support</u>		
Public school districts		
General education	\$ 19,283,994	\$ 9,272,521
Special education	249,236	161,885
	<u>19,533,230</u>	<u>9,434,406</u>
Grants, contracts and other support		
Federal and state grants	1,628,257	584,528
Contributions and private grants	330,480	1,037
Interest and other income	758,832	220,672
	<u>22,250,799</u>	<u>10,240,643</u>
 <u>Expenses</u>		
Program Expenses		
Regular education	18,090,009	7,465,132
Food service	1,290,298	592,193
Special education	426,212	391,263
	<u>19,806,519</u>	<u>8,448,588</u>
Supporting Services		
Management and general	4,671,209	2,092,182
	<u>24,477,728</u>	<u>10,540,770</u>
Change in net assets	(2,226,929)	(300,127)
Net assets without donor restrictions - beginning of year	721,796	1,021,923
	<u>\$ (1,505,133)</u>	<u>\$ 721,796</u>

THE ACADEMY CHARTER SCHOOL

Statement of Functional Expenses: The Academy – Uniondale

For the year ended June 30, 2022

	Program expenses				Supporting services	Total program and supporting services
	Regular Education	Special Education	Food Service	Total Programs	Management & General	
Salaries						
Administrative staff personnel	\$ 1,401,296	\$ 133,811	\$ -	\$ 1,535,107	\$ 1,129,451	\$ 2,664,558
Instructional personnel	7,949,767	90,174	-	8,039,941	-	8,039,941
Noninstructional personnel	79,694	-	294,842	374,536	1,531,667	1,906,203
Total salaries	9,430,757	223,985	294,842	9,949,584	2,661,118	12,610,702
Payroll taxes and fringe benefits	2,321,928	55,147	72,592	2,449,667	312,603	2,762,270
Retirement benefits	170,186	-	-	170,186	29,940	200,126
Financial and administrative	-	-	-	-	234,749	234,749
Administrative	51,754	762	1,003	53,519	9,789	63,308
Marketing and recruitment	56,267	1,336	-	57,603	-	57,603
Insurance	95,023	2,257	2,971	100,251	30,456	130,707
Legal and professional	44,404	996	10,589	55,989	9,940	65,929
Repairs and maintenance	493,984	15,429	175,936	685,349	130,387	815,736
Equipment leasing and maintenance	340,724	8,447	26,042	375,213	100,355	475,568
Staff development	151,228	3,592	1,887	156,707	33,534	190,241
Food costs	75,186	-	552,891	628,077	13,896	641,973
Student services and activities	477,131	11,332	-	488,463	-	488,463
Supplies and instructional materials	473,555	11,247	-	484,802	-	484,802
Telephone and internet services	85,115	2,022	2,258	89,395	22,059	111,454
Occupancy	125,479	3,728	36,391	165,598	44,291	209,889
Other expenses	86,205	168	-	86,373	19,135	105,508
Interest expense - facilities loans	2,010,199	47,743	62,847	2,120,789	567,226	2,688,015
Interest expense - equipment lease	131,298	3,118	4,105	138,521	37,049	175,570
Depreciation	1,388,328	32,973	43,404	1,464,705	391,752	1,856,457
Amortization	81,258	1,930	2,540	85,728	22,930	108,658
Total operating expenses	8,659,252	202,227	995,456	9,856,935	2,010,091	11,867,026
Total expenses	\$ 18,090,009	\$ 426,212	\$ 1,290,298	\$ 19,806,519	\$ 4,671,209	\$ 24,477,728

THE ACADEMY CHARTER SCHOOL
Other Supplementary Information – Schedule of Bonds Covenants Calculations
For the year ended June 30, 2022

	<u>Minimum Requirement</u>	<u>Actual</u>
Debt service coverage ratio	1.15	1.29
Days cash on hand	45	56

The debt service coverage ratio is calculated as follows:

(Decrease) in net assets	\$ (876,261)		
Add back: Interest expense	6,976,118		
Depreciation and amortization	<u>4,821,332</u>		
Net revenues available for debt service	<u>\$ 10,921,189</u>		
Debt service payments – bonds			
Interest expense	\$ 6,976,118		
Principal	<u>1,495,000</u>		
Total current debt service – bonds	<u>\$ 8,471,118</u>		
Net revenues available for debt service	<u>\$ 10,921,189</u>	=	1.29
Total current debt service – bonds	<u>\$ 8,471,118</u>		

The days cash on hand is calculated as follows:

Total expenses	\$ 68,465,392		
Less: Depreciation and amortization	<u>(4,821,332)</u>		
Net expenses	63,644,060		
Days	<u>365</u>		
Cash used per day	<u>\$ 174,367</u>		
Cash at year end	<u>\$ 9,844,337</u>	=	56
Cash used per day	<u>\$ 174,367</u>		

THE ACADEMY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Child Nutrition Cluster:			
<i>United States Department of Agriculture Programs:</i>			
<i>Passed-through New York State Education Department:</i>			
School Breakfast Program	10.553	280201860934	\$ 1,097,414
National School Lunch Program	10.555	280201860934	2,489,593
Summer Food Service Program	10.559	280201860934	134,706
<i>Total United States Department of Agriculture Programs</i>			<u>3,721,713</u>
Total Child Nutrition Cluster			<u>3,721,713</u>
<i>United States Department of Education Programs:</i>			
<i>Passed-through New York State Education Department:</i>			
Title I Grants to Local Education Agencies	84.010A	0021-22-4495	361,808
Title I Grants to Local Education Agencies	84.010A	0021-22-5465	116,918
Total Title I Grants to Local Education Agencies			<u>478,726</u>
English Language Acquisition State Grants	84.365A	0293-22-4495	42,864
Supporting Effective Instruction State Grants	84.367A	0147-22-4495	61,124
Supporting Effective Instruction State Grants	84.367A	0147-22-5465	28,957
Total Supporting Effective Instruction State Grants			<u>90,081</u>
Student Support and Academic Enrichment program	84.424A	0204-22-4495	31,043
Student Support and Academic Enrichment program	84.424A	0204-22-5465	10,000
Total Student Support and Academic Enrichment program			<u>41,043</u>
COVID-19 Education Stabilization Fund subprograms:			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	5891-21-4495	625,718
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	5891-21-5465	179,980
Total COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund			<u>805,698</u>
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	5880-21-4495	1,509,148
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	5880-21-5465	294,263
Total COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)			<u>1,803,411</u>
COVID-19 American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	5218-21-4495	7,879
Total COVID-19 Education Stabilization Fund subprograms			<u>2,616,988</u>
<i>Total United States Department of Education Programs</i>			<u>3,269,702</u>
Total Expenditures of Federal Awards			<u>\$ 6,991,415</u>

See accompanying notes to schedule of expenditures of federal awards.

THE ACADEMY CHARTER SCHOOL
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of The Academy Charter School for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of The Academy Charter School, it is not intended to, and does not, present the financial position, changes in net position or cash flows of The Academy Charter School.

Note 2 Summary of Significant Accounting Policies

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

Note 3 Indirect Cost Rate

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

Note 4 Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

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*

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

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Academy Charter School’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

The Academy Charter School’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The Academy Charter School’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Academy Charter School response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response

Purpose of This Report

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

NChing LLP

New York, New York
October 31, 2022

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Academy Charter School’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Academy Charter School’s major federal programs for the year ended June 30, 2022. The Academy Charter School’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, The Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 The Academy Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination The Academy Charter School’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Academy Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *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 The Academy Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 The Academy Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Academy Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Academy Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of

compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

NChing LLP

New York, New York
October 31, 2022

THE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
 For the year ended June 30, 2022

Schedule I – Summary of auditor’s results

Financial statements

Type of report the auditor 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? X yes ___ no

Federal awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Federal Assistance Listing

Number(s)	Name of Federal Program or Cluster
	COVID-19 Education Stabilization Fund subprograms:
	COVID-19 Elementary & Secondary Education Schools
84.425D	Emergency Relief (ESSER) Fund
84.425U	COVID-19 American Rescue Plan – Elementary & Secondary Education Emergency Relief (ARP-ESSER)
84.425W	COVID-19 American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes ___ no

THE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the year ended June 30, 2022

Section II – Financial Statement Findings

2022-001 - Teacher Certification

Criteria: New York State Education Department (“NYSED”) requires that teachers must be certified. However, there is a teacher certification exemption that allows charter schools to have uncertified teachers for 30% of their teaching staff, or 5 teachers, whichever is less. The charter schools can also have an additional 10 uncertified teachers provided that five of these teachers are teaching math, science, computer science, technology, or career and technical education.

Condition: The number of TACS’s uncertified teachers exceeds the maximum uncertified teachers allowed.

Cause: There has been a pronounced shortage of teachers that affects hiring in NYS and nationwide. The pandemic has exacerbated this situation. That said, given the school’s best efforts, TACS did not hire enough certified teachers. TACS did not enforce that returning teachers remain current with their certification.

Effect: TACS is not compliant with NYSED regulations as noted above.

Recommendation: We recommend that TACS hire teachers who are New York State certified in the subject and grade level for their assignment.

Questioned Costs: N/A

Views of Responsible Officials and Planned Corrective Actions: See page 38

Section III – Federal Award Findings and Questioned Costs

None

THE ACADEMY CHARTER SCHOOL
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2022

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

THE ACADEMY CHARTER SCHOOL

Corrective Action Plan

For the year ended June 30, 2022

2022-001 – Teacher Certification

Views of Responsible Officials and Corrective Action Plan:

TACS recognizes that there is a shortage of certified teachers in the United States including New York State. Thus, due to the competition in filling vacant positions, the Academy has recruited some very experienced teachers internationally. This has been made possible by an agreement between the sponsoring agencies Cordell Hull Foundation for International Education, and Teachers Council Inc. whereby teachers commit to 3-5 years on a J1 visa. These recruits received an intensive six weeks preservice onboarding program before they are placed in the classrooms. Moreover, they receive ongoing daily support and coaching from a certified master lead teacher by grade (K-5), and department leads (9-12). Recognizing that our schools need to be in compliance with the New York State Education Department (NYSED) teacher certification requirements, the Academy has partnered with New York Institute of Technology (NYIT) to provide coursework to all our uncertified staff in meeting the requirement. Through this program, uncertified teachers are placed on a pathway to become certified by enrolling in the required coursework on a continuous basis until the requirement is met. TACS has also partnered with Adelphi University in offering coursework for the TESOL certification. Both programs are financed by reduced tuition rate and scholarships from the afore-mentioned universities combined with a fifty percent tuition stipend provided to each enrolled staff.