

# **Zeta Charter Schools - New York City**

Financial Statements and  
Uniform Guidance Schedules  
Together With Independent Auditors' Reports

June 30, 2023 and 2022

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## **Independent Auditors' Report**

**Board of Trustees**  
**Zeta Charter Schools - New York City**

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

#### ***Opinion***

We have audited the accompanying financial statements of Zeta Charter Schools - New York City (the "School") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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 opinion.

#### ***Change in Accounting Policy***

As discussed in Note 2 to the financial statements, the School adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of right of use assets and related lease liabilities effective July 1, 2022. Our opinion is not modified with respect to that matter.

#### ***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 the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2023 on pages 20 through 24 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 25 and 26, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023, on our consideration of the School's 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 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 the School'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 the School's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 27, 2023

# Zeta Charter Schools - New York City

## Statements of Financial Position

	June 30,	
	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 11,099,972	\$ 7,658,372
Grants and contracts receivable	2,499,313	2,733,753
Prepaid expenses	<u>158,380</u>	<u>216,452</u>
Total Current Assets	13,757,665	10,608,577
Finance right-of-use assets, net	194,371,880	-
Capital lease asset - school facility, net	-	14,763,983
Operating right-of-use assets, net	18,315,427	-
Property and equipment, net	2,243,274	2,483,868
Restricted cash	<u>300,336</u>	<u>300,277</u>
	<u>\$228,988,582</u>	<u>\$ 28,156,705</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 818,821	\$ 1,206,956
Accrued payroll and payroll taxes	1,069,041	930,227
Refundable advances	169,561	244,570
Operating lease liabilities, current portion	295,960	-
Finance lease liabilities, current portion	2,062,388	-
Capital lease obligation - school facility, current portion	-	27,675
Deferred rent, current portion	-	376,907
Loan payable, current portion	-	227,083
Due to related party	<u>526,002</u>	<u>1,412,920</u>
Total Current Liabilities	4,941,773	4,426,338
Deferred rent	-	29,839
Operating lease liabilities	18,046,854	-
Finance lease liabilities	194,756,983	-
Capital lease obligation - school facility	<u>-</u>	<u>15,133,647</u>
Total Liabilities	217,745,610	19,589,824
Net assets, without donor restrictions	<u>11,242,972</u>	<u>8,566,881</u>
	<u>\$228,988,582</u>	<u>\$ 28,156,705</u>

See notes to financial statements

# Zeta Charter Schools - New York City

## Statements of Activities

	Year Ended June 30,	
	2023	2022
<b>OPERATING REVENUE</b>		
State and Local Per Pupil Operating Revenue		
General education	\$ 30,858,177	\$ 21,544,421
Special education	3,255,813	2,498,105
Universal pre-kindergarten	4,807,624	2,799,914
Facilities	7,605,045	5,324,228
Federal grants	4,575,121	6,503,731
Federal IDEA and E-rate	513,206	434,723
State grants	136,713	73,218
Total Operating Revenue	<u>51,751,699</u>	<u>39,178,340</u>
<b>EXPENSES</b>		
Program Services		
Regular education	39,337,488	27,345,665
Special education	6,321,359	5,215,700
Total Program Services	<u>45,658,847</u>	<u>32,561,365</u>
Supporting Services		
Management and general	<u>3,720,282</u>	<u>3,182,505</u>
Total Expenses	<u>49,379,129</u>	<u>35,743,870</u>
 Surplus from Operations	 <u>2,372,570</u>	 <u>3,434,470</u>
<b>SUPPORT AND OTHER REVENUE</b>		
Contributions	25	29,427
Donated services	58,470	-
Other income	245,026	113,569
Total Support and Other Revenue	<u>303,521</u>	<u>142,996</u>
 Change in Net Assets	 2,676,091	 3,577,466
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>		
Beginning of year	<u>8,566,881</u>	<u>4,989,415</u>
 End of year	 <u>\$ 11,242,972</u>	 <u>\$ 8,566,881</u>

See notes to financial statements

# **Zeta Charter Schools - New York City**

## Statement of Functional Expenses Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	54	\$ 2,547,578	\$ 407,141	\$ 2,954,719	\$ 984,906	\$ 3,939,625
Instructional personnel	184	10,779,155	1,699,923	12,479,078	-	12,479,078
Non-instructional personnel	10	-	-	-	129,226	129,226
Total Personnel Services Costs	248	13,326,733	2,107,064	15,433,797	1,114,132	16,547,929
Fringe benefits and payroll taxes		2,501,154	395,382	2,896,536	201,213	3,097,749
Retirement		290,523	45,608	336,131	24,002	360,133
Management company fees		5,029,006	795,691	5,824,697	401,282	6,225,979
Legal services		-	-	-	58,470	58,470
Accounting/audit services		-	-	-	302,780	302,780
Other purchased/professional/consulting services		345,801	72,333	418,134	29,285	447,419
Building and land rent/lease		6,404,161	1,020,167	7,424,328	476,116	7,900,444
Repairs and maintenance		-	-	-	312,425	312,425
Insurance		310,175	48,244	358,419	-	358,419
Utilities		-	-	-	126,725	126,725
Supplies/materials		1,527,314	315,925	1,843,239	7	1,843,246
Equipment/furnishings		122,406	19,269	141,675	9,936	151,611
Staff development		684,671	108,722	793,393	54,546	847,939
Marketing/recruitment		1,258,982	197,614	1,456,596	27,523	1,484,119
Technology		890,001	139,085	1,029,086	48,696	1,077,782
Food service		1,199,297	192,965	1,392,262	-	1,392,262
Student services		1,092,710	173,748	1,266,458	-	1,266,458
Office expense		479,650	77,029	556,679	188,733	745,412
Depreciation and amortization		3,775,730	599,577	4,375,307	288,510	4,663,817
Other		99,174	12,936	112,110	55,901	168,011
Total Expenses		<u>\$ 39,337,488</u>	<u>\$ 6,321,359</u>	<u>\$ 45,658,847</u>	<u>\$ 3,720,282</u>	<u>\$ 49,379,129</u>

See notes to financial statements



# **Zeta Charter Schools - New York City**

## Statement of Functional Expenses Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	32	\$ 1,730,700	\$ 315,176	\$ 2,045,876	\$ 681,958	\$ 2,727,834
Instructional personnel	141	7,621,356	1,418,429	9,039,785	-	9,039,785
Non-instructional personnel	10	-	-	-	171,937	171,937
Total Personnel Services Costs	183	9,352,056	1,733,605	11,085,661	853,895	11,939,556
Fringe benefits and payroll taxes		1,732,148	322,573	2,054,721	156,991	2,211,712
Retirement		270,123	50,038	320,161	24,692	344,853
Management company fees		3,838,751	714,226	4,552,977	348,983	4,901,960
Accounting/audit services		-	-	-	318,204	318,204
Other purchased/professional/consulting services		293,037	154,986	448,023	43,074	491,097
Building and land rent/lease		5,088,746	949,309	6,038,055	456,505	6,494,560
Repairs and maintenance		-	-	-	189,744	189,744
Insurance		79,890	14,330	94,220	-	94,220
Utilities		-	-	-	141,794	141,794
Supplies/materials		1,768,373	372,625	2,140,998	32,985	2,173,983
Equipment/furnishings		94,542	16,486	111,028	8,410	119,438
Staff development		414,773	76,529	491,302	35,449	526,751
Marketing/recruitment		780,340	137,699	918,039	25,788	943,827
Technology		616,958	113,484	730,442	78,158	808,600
Food service		804,046	149,448	953,494	11,151	964,645
Student services		807,041	158,186	965,227	4,930	970,157
Office expense		463,947	85,205	549,152	321,336	870,488
Depreciation and amortization		890,146	158,705	1,048,851	87,414	1,136,265
Other		50,748	8,266	59,014	43,002	102,016
Total Expenses		\$ 27,345,665	\$ 5,215,700	\$ 32,561,365	\$ 3,182,505	\$ 35,743,870
See notes to financial statements						

# Zeta Charter Schools - New York City

## Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,676,091	\$ 3,577,466
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,061,976	1,136,265
Amortization of right of use assets - operating leases	1,315,931	-
Amortization of right of use assets - finance leases	3,601,841	-
Deferred rent	-	(591,364)
Amortization of debt issuance costs	-	2,824
Changes in operating assets and liabilities		
Grants and contracts receivable	234,440	239,375
Prepaid expenses	58,072	44,823
Accounts payable and accrued expenses	(388,135)	740,018
Accrued payroll and payroll taxes	138,814	472,641
Refundable advances	(75,009)	209,460
Due to related party	(886,918)	621,608
Operating lease liabilities	(1,695,357)	-
Net Cash from Operating Activities	<u>6,041,746</u>	<u>6,453,116</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchases of property and equipment	<u>(821,382)</u>	<u>(1,523,902)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loan payable	(227,083)	(331,320)
Principal payments on finance lease liabilities	(1,551,622)	-
Principal payments on capital lease obligation - school facility	-	(24,489)
Net Cash from Financing Activities	<u>(1,778,705)</u>	<u>(355,809)</u>
Net Change in Cash and Restricted Cash	3,441,659	4,573,405
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	<u>7,958,649</u>	<u>3,385,244</u>
End of year	<u>\$ 11,400,308</u>	<u>\$ 7,958,649</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 6,272,114	\$ 2,003,029
Cash paid for amounts included in the measurement of operating lease liabilities	2,128,309	-
Operating ROU assets obtained in exchange for new lease liabilities	4,982,052	-
Finance ROU assets obtained in exchange for new lease liabilities	138,699,521	-
Building acquired under a capital lease	-	15,185,811

See notes to financial statements

## **Zeta Charter Schools - New York City**

### **Notes to Financial Statements June 30, 2023 and 2022**

#### **1. Organization and Tax Status**

Zeta Charter Schools – New York City (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 2, 2018 to operate charter schools pursuant to Article 56 of the Education Law of the State of New York. The School's mission is to build and sustain high-performing schools that forge thriving communities of lifelong learners, problem solvers, and innovators. The School was granted a provisional charter on January 2, 2018 to operate Zeta Charter School – Inwood ("Inwood") and Zeta Charter School – South Bronx ("South Bronx"), valid for a term of five years and renewable upon expiration by the Board of Regents of The University of the State of New York (the "Board of Regents"). The charter was renewed in 2023 for an additional 5 year term and will expire on July 31, 2028. Classes for Inwood and South Bronx commenced in the fall of 2018. On June 6, 2019, the Board of Regents approved an amendment of the original charter to operate Zeta Charter School – Mount Eden ("Mount Eden") and Zeta Charter School – Tremont Park ("Tremont Park"). The School was granted a provisional charter on June 6, 2019 for Mount Eden and Tremont Park, valid for a term of five years and renewable upon expiration by the Board of Regents. The charter will expire on June 6, 2024. Classes for Mount Eden and Tremont Park commenced in the fall of 2020. The School provided education to approximately 1,752 students in kindergarten through fifth grades during the 2022-2023 academic year.

Beginning in July 2020, the School was awarded four contracts with the New York City Department of Education ("NYCDOE") to operate four universal pre-kindergarten programs. The contracts for the Inwood program expire on June 30, 2024. The contracts for the South Bronx, Mount Eden, and Tremont Park programs are currently being renewed and are expected to expire on June 30, 2025. The School provided education to approximately 262 students during the 2022-2023 academic year.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

#### **2. Summary of Significant Accounting Policies**

##### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### ***Adoption of New Accounting Policies***

###### ***Leases***

The School adopted Financial Accounting Standards Board ("FASB") *Topic 842, Leases* ("Topic 842"), using the effective date method with July 1, 2022, as the date of initial adoption.

## **Zeta Charter Schools - New York City**

Notes to Financial Statements  
June 30, 2023 and 2022

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Adoption of New Accounting Policies (*continued*)***

##### ***Leases (*continued*)***

As a result of the adoption of the new lease accounting guidance on July 1, 2022, the School recognized finance and operating lease liabilities of \$59,671,233 and \$15,056,079 that represents the present value of the remaining finance and operating lease payments of \$159,416,592 and \$27,017,104, discounted with a risk free interest rate using the treasury bond rate ranging from 2.79% to 3.11%, depending on the lease term, and finance and operating right of use ("ROU") assets of \$59,273,894 and \$14,649,332, that represent the discounted finance and operating lease liabilities of \$59,671,233 and \$15,056,079, with the finance ROU assets adjusted for capital (now finance) lease asset and obligation balances of \$14,763,983 and \$15,133,647, and operating ROU assets adjusted for deferred rent of \$406,747.

The adoption of Topic 842 had a material impact on the School's statement of financial position but did not have a material impact on its statements of activities and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for finance and operating leases.

##### ***Net Asset Presentation***

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

*Net assets without donor restrictions* - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

*Net assets with donor restrictions* – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2023 and 2022.

## **Zeta Charter Schools - New York City**

### **Notes to Financial Statements June 30, 2023 and 2022**

#### **2. Summary of Significant Accounting Policies (*continued*)**

##### ***Restricted Cash***

Under the provisions of its charter, the School established a reserve fund to cover debts in the event of the School's dissolution.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows at June 30:

	2023	2022
Cash	\$ 11,099,972	\$ 7,658,372
Restricted cash	300,336	300,277
	<u>\$ 11,400,308</u>	<u>\$ 7,958,649</u>

##### ***Property and Equipment***

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and equipment	3 years
Furniture and fixtures	7 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2023 and 2022.

##### ***Leases***

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating and finance leases are included in operating and finance right-of-use ("ROU") assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the School made the short-term lease election.

## **Zeta Charter Schools - New York City**

Notes to Financial Statements  
June 30, 2023 and 2022

### **2. Summary of Significant Accounting Policies *(continued)***

#### ***Leases (continued)***

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Finance and operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The finance and operating lease ROU assets include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets. For the year ended June 30, 2022, U.S. GAAP guidance stated rent shall be charged to expense over the lease term as it became payable. If rental payments are not made on a straight-line basis, rental expense shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. The difference between the straight-line rent expense and rent paid is reflected as a deferred rent liability in the statement of financial position at June 30, 2022.

#### ***Refundable Advances***

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

#### ***Debt Issuance Costs***

Debt issuance costs are reported on the statements of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the effective interest method. The School reflects amortization of debt issuance costs within other expense on the accompanying statements of functional expenses. Unamortized debt issuance costs at June 30, 2023 and 2022 were \$0 and \$2,823.

#### ***Revenue and Support***

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

## **Zeta Charter Schools - New York City**

Notes to Financial Statements  
June 30, 2023 and 2022

### **2. Summary of Significant Accounting Policies *(continued)***

#### ***Revenue and Support (Continued)***

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as support with donor restrictions if they are received with donor stipulations. Donor restricted contributions and grants that are made to support the School's current period activities are recorded as revenue without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

#### ***Marketing and Recruitment***

Marketing and recruitment costs are expensed as incurred. Marketing and recruitment expense for the years ended June 30, 2023 and 2022 was \$1,484,119 and \$943,827.

#### ***Measure of Operations***

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental sources that include contributions revenue, donated services, return on investments and other activities considered to be of a non-recurring nature.

#### ***Donated Services***

The School recognizes contributions of services if they create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the School, and are measurable.

During the year ended June 30, 2023, one entity provided legal services totaling \$58,470 to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and is recorded at fair value of \$58,470 for the year ended June 30, 2023. Fair value is estimated using market value of similar services available for purchase by the School. The legal services were used for management and general services, and the value of these services is included in legal services in the accompanying statements of activities and functional expenses. There were no donor-imposed restrictions associated with the donated services.

#### ***Functional Expense Allocation***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses, such as personnel services costs, fringe benefits and payroll taxes, and building and land rent/lease have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

## **Zeta Charter Schools - New York City**

Notes to Financial Statements  
June 30, 2023 and 2022

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Accounting for Uncertainty in Income Taxes***

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing authorities for years prior to June 30, 2020.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 27, 2023.

### **3. Grants and Contracts Receivable**

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance for doubtful accounts and has determined that such an allowance is not necessary.

### **4. Related Party Transactions (not disclosed elsewhere)**

The School contracts with Zeta Charter Schools, Inc. (the "Network"), a Delaware nonprofit non-stock corporation, to serve as the School's charter management organization.

The School entered into an Academic and Business Service Agreement (the "Agreement") with the Network on June 22, 2018, to provide the School with educational management and operational services. The Agreement automatically renews for four consecutive one year periods after the initial one-year term ended on June 30, 2019. Pursuant to the Agreement, the Network is to select and implement educational programs, coaching and professional development to leadership, manage the School's business administration and support the Board of Trustees in all governance issues.

As compensation to the Network for these services, starting July 1, 2018, the School paid an amount equal to 15% of certain revenue specified in the Agreement. For the years ended June 30, 2023 and 2022, the School incurred \$6,225,979 and \$4,901,960 in management fees to the Network.

For operating efficiency and purchasing power, the School shares certain expenses with the Network. The School also reimburses the Network for personnel service costs, fringe benefits and payroll taxes. During the years ended June 30, 2023 and 2022, the School incurred \$1,695,627 and \$957,343 of net operating expenses, excluding payroll and payroll related expenses, paid by the Network on behalf of the School.



## Zeta Charter Schools - New York City

### Notes to Financial Statements June 30, 2023 and 2022

#### 4. Related Party Transactions (not disclosed elsewhere) (continued)

At June 30, 2023 and 2022, net balance due to the Network was \$526,002 and \$1,412,920.

On July 23, 2018, the School entered into two three-year operating subleases for school facilities with the Network (see Note 11). The School has the option to extend the subleases for an additional two years in the event that the Network extends its lease for the same space. Lease payments commenced August 1, 2018 and the School extended the leases for an additional two years expiring on July 31, 2022 and July 31, 2023. The School moved into new space upon expiration of the leases.

On July 20, 2021, the School entered into a 36-year sublease for school facilities with the Network and accounts for the sublease as a finance lease (see Note 11). The School has the option to extend the sublease for an additional 13 years in the event that the Network extends its lease for the same space. Lease payments commenced July 1, 2021 and expire on July 30, 2057.

On August 25, 2021, the School entered into a 48-year finance sublease for school facilities with the Network (see Note 11). Lease payments commenced July 1, 2021 and expire on July 31, 2069.

On July 1, 2022, the School entered into a 41-year finance sublease for school facilities with the Network (see Note 11). Lease payments commenced July 1, 2022 and expire on July 31, 2063.

On June 8, 2023, the School entered into two 10-year subleases for school facilities with the Network (see Note 11). Lease payments commenced in September 2023 and expire on June 30, 2033.

#### 5. Property and Equipment

Property and equipment consists of the following at June 30:

	2023	2022
Furniture and fixtures	\$ 1,151,955	\$ 1,080,595
Computers and equipment	2,827,062	2,389,149
Leasehold improvements	881,778	466,644
Construction in progress	-	102,724
	4,860,795	4,039,112
Accumulated depreciation and amortization	(2,617,521)	(1,555,244)
	<u>\$ 2,243,274</u>	<u>\$ 2,483,868</u>

Construction in progress at June 30, 2022 consisted of soft costs and improvements for School facilities, which were placed into service upon completion of construction on July 1, 2022.

## **Zeta Charter Schools - New York City**

### **Notes to Financial Statements June 30, 2023 and 2022**

#### **6. Liquidity and Availability of Financial Assets**

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, are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 11,099,972	\$ 7,658,372
Grants and contracts receivable	<u>2,499,313</u>	<u>2,733,753</u>
	<u>\$ 13,599,285</u>	<u>\$ 10,392,125</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable are monitored regularly and any excess cash is invested in highly liquid instruments. The School will continue to rely on funding received from the NYCDOE to cover its future operating costs (see Note 9).

#### **7. Employee Benefit Plan**

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, it is at the School's discretion to determine the employee match each year. Employer match for years ended June 30, 2023 and 2022 was \$360,204 and \$311,814.

#### **8. Concentration of Credit Risk**

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of grants and contracts receivable, and cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2023 and 2022, approximately \$11,016,000 and \$7,644,000 of cash was maintained with an institution in excess of FDIC limits. Management regularly monitors the status of grants and contracts receivable and does not believe that a significant credit and market risk presently exists with regard to these receivables.

#### **9. Concentration of Revenue and Support**

The School receives a substantial portion of its revenue and support from the NYCDOE. For the years ended June 30, 2023 and 2022, the School received approximately 88% and 82% of its total revenue and support from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

## Zeta Charter Schools - New York City

### Notes to Financial Statements

June 30, 2023 and 2022

#### 10. Loan Payable

Loan payable consisted of the following at June 30, 2022:

BlueHub Capital	\$ 229,906
Debt issue costs, unamortized	<u>(2,823)</u>
	227,083
Current portion	<u>(227,083)</u>
	<u>\$ -</u>

On September 18, 2020, the School entered into a \$800,000 loan agreement with BlueHub Capital. The purpose of the loan was to fund tenant improvements and fit-out at the property located at 500 West 138<sup>th</sup> Street. The note bore interest at 6.25% per annum. Monthly principal and interest payments of \$28,013 commenced beginning February 1, 2021. The loan was paid off by June 30, 2023.

#### 11. Commitments

On July 20, 2021, the School entered into a 36-year finance sublease for school facilities with the Network (see Note 4) for the School's Mount Eden charter. The School has the option to extend the sublease for an additional 13 years in the event that the Network extends its lease for the same space. Lease payments commenced July 1, 2021 and expire on June 30, 2057. The asset and liability under the finance lease were recorded at the fair market value of the asset at June 30, 2022.

On August 25, 2021, the School entered into a 48-year finance sublease for school facilities with the Network (see Note 4) for the School's Tremont Park charter. Lease payments commenced July 1, 2021 and expire on July 31, 2069.

On July 1, 2022, the School entered into a 41-year finance sublease for school facilities with the Network (see Note 4) for the School's South Bronx charter. Lease payments commenced July 1, 2022 and expire on July 31, 2063.

On July 23, 2018, the School entered into two three-year subleases for school facilities with the Network (see Note 4) for the School's Inwood and South Bronx charters. The School had the option to extend the subleases for an additional two years in the event that the Network extends its lease for the same space. The School extended the leases for an additional two years to expire on July 31, 2022 and July 31, 2023. The subleases were not renewed and the School moved into new space.

The School entered into two copier operating leases that expire through August 31, 2027.

ROU assets are as follows for the year ended June 30, 2023:

	<u>Finance</u>	<u>Operating</u>
ROU assets	\$ 197,973,721	\$ 19,631,358
Less: accumulated amortization	<u>(3,601,841)</u>	<u>(1,315,931)</u>
	<u>\$ 194,371,880</u>	<u>\$ 18,315,427</u>

## Zeta Charter Schools - New York City

### Notes to Financial Statements June 30, 2023 and 2022

#### 11. Commitments (*continued*)

Weighted average remaining lease term (years)	
Finance leases	40.97
Operating leases	45.50
Weighted average discount rate	
Finance leases	3.85%
Operating leases	3.84%

Future minimum lease payments are as follows for years ending June 30:

	<u>Finance</u>	<u>Operating</u>
2024	\$ 9,573,076	\$ 990,680
2025	9,573,076	877,336
2026	9,573,076	865,393
2027	9,573,076	861,412
2028	9,573,076	841,002
Thereafter	<u>342,696,395</u>	<u>34,383,467</u>
Total minimum lease payments	390,561,775	38,819,290
Amounts representing interest	<u>(193,742,404)</u>	<u>(20,476,476)</u>
Present value of minimum lease payments	196,819,371	18,342,814
Current portion	<u>(2,062,388)</u>	<u>(295,960)</u>
Lease liabilities, less current portion	<u>\$ 194,756,983</u>	<u>\$ 18,046,854</u>

Components of lease cost are as follows for years ended June 30:

	<u>2023</u>	<u>2022</u>
Finance amortization cost	\$ 4,715,990	\$ -
Finance interest cost	5,167,264	1,975,511
Operating lease cost	<u>1,605,228</u>	<u>4,519,049</u>
	<u>\$ 11,488,482</u>	<u>\$ 6,494,560</u>

Finance interest and operating lease costs are included in building and land rent/lease expense and finance amortization cost is included in depreciation and amortization within the accompanying statements of functional expenses.

On June 8, 2023, the School entered into two 10-year subleases for school facilities with the Network (see Note 4). Lease payments commenced in September 2023 and expire on June 30, 2033.

## **Zeta Charter Schools - New York City**

### **Notes to Financial Statements June 30, 2023 and 2022**

#### **12. Contingency**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost 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.

\* \* \* \* \*

**Zeta Charter Schools - New York City**

Supplementary Information

June 30, 2023

**Zeta Charter Schools - New York City**

Schedule of Activities by School  
Year Ended June 30, 2023

	Inwood	South Bronx	Tremont Park	Mount Eden	Total
<b>OPERATING REVENUE</b>					
State and Local Per Pupil Operating Revenue					
General education	\$ 8,956,021	\$ 10,668,285	\$ 5,964,034	\$ 5,269,837	\$ 30,858,177
Special education	662,210	1,450,708	563,892	579,003	3,255,813
Universal pre-kindergarten	954,199	1,559,749	1,651,430	642,246	4,807,624
Facilities	1,081,619	3,173,605	1,770,884	1,578,937	7,605,045
Federal grants	1,267,803	1,795,346	786,287	725,685	4,575,121
Federal IDEA and E-Rate	102,775	260,737	76,093	73,601	513,206
State grants	40,297	54,872	22,621	18,923	136,713
Total Operating Revenue	<u>13,064,924</u>	<u>18,963,302</u>	<u>10,835,241</u>	<u>8,888,232</u>	<u>51,751,699</u>
<b>EXPENSES</b>					
Program Services					
Regular education	10,040,244	13,501,845	8,805,090	6,990,309	39,337,488
Special education	1,579,085	2,511,537	922,724	1,308,013	6,321,359
Total Program Services	<u>11,619,329</u>	<u>16,013,382</u>	<u>9,727,814</u>	<u>8,298,322</u>	<u>45,658,847</u>
Supporting Services					
Management and general	1,161,917	1,213,252	692,326	652,787	3,720,282
Total Expenses	<u>12,781,246</u>	<u>17,226,634</u>	<u>10,420,140</u>	<u>8,951,109</u>	<u>49,379,129</u>
Surplus (Deficit) from Operations	<u>283,678</u>	<u>1,736,668</u>	<u>415,101</u>	<u>(62,877)</u>	<u>2,372,570</u>
<b>SUPPORT AND OTHER REVENUE</b>					
Contributions	25	-	-	-	25
Donated services	17,541	17,541	11,694	11,694	58,470
Other income	80,915	78,933	46,710	38,468	245,026
Total Support and Other Revenue	<u>98,481</u>	<u>96,474</u>	<u>58,404</u>	<u>50,162</u>	<u>303,521</u>
Change in Net Assets	382,159	1,833,142	473,505	(12,715)	2,676,091
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>					
Beginning of year	<u>2,278,634</u>	<u>5,040,330</u>	<u>833,761</u>	<u>414,156</u>	<u>8,566,881</u>
End of year	<u>\$ 2,660,793</u>	<u>\$ 6,873,472</u>	<u>\$ 1,307,266</u>	<u>\$ 401,441</u>	<u>\$ 11,242,972</u>

# **Zeta Charter Schools - New York City**

## Schedule of Functional Expenses - Inwood Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	17	\$ 878,375	\$ 136,223	\$ 1,014,598	\$ 338,199	\$ 1,352,797
Instructional personnel	53	3,121,049	484,029	3,605,078	-	3,605,078
Non-instructional personnel	7	-	-	-	75,489	75,489
Total Salaries and Staff	<u>77</u>	<u>3,999,424</u>	<u>620,252</u>	<u>4,619,676</u>	<u>413,688</u>	<u>5,033,364</u>
Fringe benefits and payroll taxes		748,963	116,153	865,116	76,019	941,135
Retirement		108,493	16,826	125,319	11,012	136,331
Management company fees		1,365,026	211,696	1,576,722	138,549	1,715,271
Legal services		-	-	-	17,541	17,541
Accounting/audit services		-	-	-	75,695	75,695
Other purchased/professional/consulting services		113,799	27,354	141,153	8,809	149,962
Building and land rent/lease		852,014	132,135	984,149	86,479	1,070,628
Repairs and maintenance		-	-	-	102,795	102,795
Insurance		77,574	12,031	89,605	-	89,605
Utilities		-	-	-	30,337	30,337
Supplies/materials		488,173	87,992	576,165	-	576,165
Equipment/furnishings		34,769	5,392	40,161	3,529	43,690
Staff development		193,455	30,002	223,457	19,636	243,093
Marketing/recruitment		358,449	55,590	414,039	10,221	424,260
Technology		251,876	39,062	290,938	18,180	309,118
Food service		198,321	30,757	229,078	-	229,078
Student services		637,435	98,857	736,292	-	736,292
Office expense		180,141	27,937	208,078	57,407	265,485
Depreciation and amortization		400,499	62,112	462,611	40,563	503,174
Other		<u>31,833</u>	<u>4,937</u>	<u>36,770</u>	<u>51,457</u>	<u>88,227</u>
Total Expenses		<u>\$ 10,040,244</u>	<u>\$ 1,579,085</u>	<u>\$ 11,619,329</u>	<u>\$ 1,161,917</u>	<u>\$ 12,781,246</u>

See independent auditors' report



# **Zeta Charter Schools - New York City**

## Schedule of Functional Expenses - South Bronx Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	19	\$ 864,206	\$ 158,309	\$ 1,022,515	\$ 340,838	\$ 1,363,353
Instructional personnel	60	3,450,452	632,070	4,082,522	-	4,082,522
Non-instructional personnel	1	-	-	-	28,487	28,487
Total Salaries and Staff	<u>80</u>	<u>4,314,658</u>	<u>790,379</u>	<u>5,105,037</u>	<u>369,325</u>	<u>5,474,362</u>
Fringe benefits and payroll taxes		808,531	148,110	956,641	68,318	1,024,959
Retirement		84,026	15,392	99,418	7,100	106,518
Management company fees		1,734,910	317,809	2,052,719	146,595	2,199,314
Legal services		-	-	-	17,541	17,541
Accounting/audit services		-	-	-	75,695	75,695
Other purchased/professional/consulting services		95,999	22,101	118,100	7,423	125,523
Building and land rent/lease		2,215,859	405,912	2,621,771	187,233	2,809,004
Repairs and maintenance		-	-	-	38,343	38,343
Insurance		75,732	13,873	89,605	-	89,605
Utilities		-	-	-	24,115	24,115
Supplies/materials		455,390	117,073	572,463	7	572,470
Equipment/furnishings		47,633	8,726	56,359	4,025	60,384
Staff development		216,296	39,622	255,918	18,276	274,194
Marketing/recruitment		366,596	67,155	433,751	8,214	441,965
Technology		234,349	42,929	277,278	13,271	290,549
Food service		561,869	102,926	664,795	-	664,795
Student services		238,368	43,665	282,033	-	282,033
Office expense		163,397	29,932	193,329	68,854	262,183
Depreciation and amortization		1,880,745	344,524	2,225,269	158,917	2,384,186
Other		<u>7,487</u>	<u>1,409</u>	<u>8,896</u>	<u>-</u>	<u>8,896</u>
Total Expenses		<u>\$ 13,501,845</u>	<u>\$ 2,511,537</u>	<u>\$ 16,013,382</u>	<u>\$ 1,213,252</u>	<u>\$ 17,226,634</u>

See independent auditors' report

# **Zeta Charter Schools - New York City**

## Schedule of Functional Expenses - Tremont Park Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	9	\$ 441,522	\$ 45,124	\$ 486,646	\$ 162,216	\$ 648,862
Instructional personnel	38	2,365,039	241,711	2,606,750	-	2,606,750
Non-instructional personnel	1	-	-	-	21,110	21,110
Total Salaries and Staff	<u>48</u>	<u>2,806,561</u>	<u>286,835</u>	<u>3,093,396</u>	<u>183,326</u>	<u>3,276,722</u>
Fringe benefits and payroll taxes		528,206	53,983	582,189	30,456	612,645
Retirement		57,588	5,886	63,474	3,320	66,794
Management company fees		1,101,996	112,626	1,214,622	63,541	1,278,163
Legal services		-	-	-	11,694	11,694
Accounting/audit services		-	-	-	75,695	75,695
Other purchased/professional/consulting services		74,289	10,151	84,440	6,576	91,016
Building and land rent/lease		1,645,226	168,145	1,813,371	94,863	1,908,234
Repairs and maintenance		-	-	-	47,332	47,332
Insurance		81,296	8,309	89,605	-	89,605
Utilities		-	-	-	54,687	54,687
Supplies/materials		318,145	52,786	370,931	-	370,931
Equipment/furnishings		27,277	2,788	30,065	1,573	31,638
Staff development		143,128	14,628	157,756	8,253	166,009
Marketing/recruitment		290,723	29,712	320,435	4,410	324,845
Technology		214,148	21,886	236,034	8,627	244,661
Food service		266,525	27,239	293,764	-	293,764
Student services		108,392	11,078	119,470	-	119,470
Office expense		73,220	7,483	80,703	35,130	115,833
Depreciation and amortization		1,012,824	103,512	1,116,336	58,399	1,174,735
Other		<u>55,546</u>	<u>5,677</u>	<u>61,223</u>	<u>4,444</u>	<u>65,667</u>
Total Expenses		<u>\$ 8,805,090</u>	<u>\$ 922,724</u>	<u>\$ 9,727,814</u>	<u>\$ 692,326</u>	<u>\$ 10,420,140</u>

See independent auditors' report

# **Zeta Charter Schools - New York City**

## Schedule of Functional Expenses - Mount Eden Year Ended June 30, 2023

		Program Services			Supporting Services	
	No. of Positions	Regular Education	Special Education	Total	Management and General	Total
Personnel Services Costs						
Administrative staff personnel	9	\$ 363,475	\$ 67,485	\$ 430,960	\$ 143,653	\$ 574,613
Instructional personnel	33	1,842,615	342,113	2,184,728	-	2,184,728
Non-instructional personnel	1	-	-	-	4,140	4,140
Total Salaries and Staff	<u>43</u>	<u>2,206,090</u>	<u>409,598</u>	<u>2,615,688</u>	<u>147,793</u>	<u>2,763,481</u>
Fringe benefits and payroll taxes		415,454	77,136	492,590	26,420	519,010
Retirement		40,416	7,504	47,920	2,570	50,490
Management company fees		827,074	153,560	980,634	52,597	1,033,231
Legal services		-	-	-	11,694	11,694
Accounting/audit services		-	-	-	75,695	75,695
Other purchased/professional/consulting services		61,714	12,727	74,441	6,477	80,918
Building and land rent/lease		1,691,062	313,975	2,005,037	107,541	2,112,578
Repairs and maintenance		-	-	-	123,955	123,955
Insurance		75,573	14,031	89,604	-	89,604
Utilities		-	-	-	17,586	17,586
Supplies/materials		265,606	58,074	323,680	-	323,680
Equipment/furnishings		12,727	2,363	15,090	809	15,899
Staff development		131,792	24,470	156,262	8,381	164,643
Marketing/recruitment		243,214	45,157	288,371	4,678	293,049
Technology		189,628	35,208	224,836	8,618	233,454
Food service		172,582	32,043	204,625	-	204,625
Student services		108,515	20,148	128,663	-	128,663
Office expense		62,892	11,677	74,569	27,342	101,911
Depreciation and amortization		481,662	89,429	571,091	30,631	601,722
Other		<u>4,308</u>	<u>913</u>	<u>5,221</u>	<u>-</u>	<u>5,221</u>
Total Expenses		<u>\$ 6,990,309</u>	<u>\$ 1,308,013</u>	<u>\$ 8,298,322</u>	<u>\$ 652,787</u>	<u>\$ 8,951,109</u>

See independent auditors' report

# **Zeta Charter Schools - New York City**

Uniform Guidance  
Schedules and Reports

June 30, 2023

## Zeta Charter Schools - New York City

### Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Direct Program:				
Charter Schools: Expanding Zeta's High-Quality Charter Schools	84.282M	Not available	\$ -	\$ 438,072
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-23-5480	-	225,580
Title I Grants to Local Educational Agencies	84.010	0021-23-5485	-	366,259
Title I Grants to Local Educational Agencies	84.010	0021-23-5660	-	205,001
Title I Grants to Local Educational Agencies	84.010	0021-23-5665	-	184,730
			-	981,570
Higher Education Institutional Aid	84.031	0149-23-5480	-	12,640
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5480	-	27,438
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5485	-	42,414
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5660	-	23,784
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5665	-	21,368
			-	115,004
Student Support and Academic Enrichment Program	84.424	0204-23-5480	-	12,779
Student Support and Academic Enrichment Program	84.424	0204-23-5485	-	17,478
Student Support and Academic Enrichment Program	84.424	0204-23-5660	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-23-5665	-	10,000
			-	50,257
English Language Acquisition State Grants	84.365	0293-22-5480	-	24,660
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5480	-	511,854
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5485	-	462,651
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5660	-	76,776
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5665	-	157,347
			-	1,208,628
Total U.S. Department of Education			-	2,830,831

See independent auditors' report and notes to schedule of expenditures of federal awards

## Zeta Charter Schools - New York City

### Schedule of Expenditures of Federal Awards *(continued)* Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Pass-Through New York State Education Department:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	Not Available	\$ -	\$ 341,247
National School Lunch Program	10.555	Not Available	-	900,506
COVID-19 - Supply Chain Assistance Funds	10.555	Not Available	-	84,401
Total Child Nutrition Cluster			-	1,326,154
 COVID-19 - Pandemic EBT Administrative Cost Grants	 10.649	 not available	 -	 2,512
Total U.S. Department of Agriculture			-	1,328,666
Department of Homeland Security				
Pass-Through New York State Homeland Security and Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Not Available	-	211,090
Total Expenditures of Federal Awards			\$ -	\$ 4,370,587

See independent auditors' report and notes to schedule of expenditures of federal awards

## **Zeta Charter Schools - New York City**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023**

#### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Zeta Charter Schools – New York City (the "School"), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

#### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **3. Indirect Cost Rate**

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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**

**Independent Auditors' Report**

**Board of Trustees  
Zeta Charter Schools - New York City**

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 Zeta Charter Schools – New York City (the “School”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 27, 2023.

**Report on Internal Control Over Financial Reporting**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 27, 2023

**Report on Compliance for Each Major Federal Program and Report on Internal Control  
Over Compliance Required by the Uniform Guidance**

**Independent Auditors' Report**

**Board of Trustees  
Zeta Charter Schools - New York City**

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

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

We have audited Zeta Charter Schools – New York City's (the "School") 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 the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2023.

***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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

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***Auditors' 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 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 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 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 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 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 Auditors' 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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 27, 2023

## **Zeta Charter Schools - New York City**

### **Schedule of Findings and Questioned Costs Year Ended June 30, 2023**

#### **Section I - Summary of Auditors' Results**

##### **Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. 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 the 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 auditors' 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**

10.553

Child Nutrition Cluster:

10.555

School Breakfast Program

10.555

National School Lunch Program

COVID-19 - Supply Chain Assistance Funds

84.010

Title I Grants to Local Educational Agencies

84.425U

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

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

\$750,000

Auditee qualified as low-risk auditee?

X yes \_\_\_\_\_ no

#### **Section II – Financial Statement Findings**

During our audit, we noted no material findings for the year ended June 30, 2023.

#### **Section III – Federal Award Findings and Questioned Costs**

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

#### **Section IV – Prior Year Findings**

There were no findings in the prior year.

**Board of Trustees**  
**Zeta Charter Schools – New York City**

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Zeta Charter Schools – New York City (the "School") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 27, 2023

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