
**ACADEMIC LEADERSHIP CHARTER SCHOOL
AND SUBSIDIARY**

**Consolidated Financial Statements
with Supplementary Information**

For the years ended June 30, 2023 and 2022

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY
Consolidated Financial Statements
June 30, 2023 and 2022

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Independent Auditor's Report

To the Board of Trustees of
Academic Leadership Charter School and Subsidiary

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Academic Leadership Charter School and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Academic Leadership Charter School and Subsidiary 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Academic Leadership Charter School and Subsidiary 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.

Emphasis of Matter

As discussed in Note 2 in the consolidated financial statements, in 2023, Academic Leadership Charter School and Subsidiary adopted new accounting guidance, Accounting Standards Update ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

Responsibility of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Academic Leadership Charter School and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Academic Leadership Charter School and Subsidiary'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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 consolidated financial statements. The accompanying supplementary financial information from page 20 to 24 is presented for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 30, 2023, on our consideration of Academic Leadership Charter School and Subsidiary'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 Academic Leadership Charter School and Subsidiary'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 Academic Leadership Charter School and Subsidiary's internal control over financial reporting and compliance.

NChing LLP

New York, New York
October 30, 2023

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY
Consolidated Statements of Financial Position
For the years ended June 30,

	2023	2022
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 1,831,903	\$ 18,002,990
Investments	18,580,402	-
Grants receivable	2,409,351	743,910
Total current assets	22,821,656	18,746,900
Property and equipment, net	42,879,987	22,969,666
Operating lease right-of-use assets	17,752	-
Other assets		
Restricted cash and escrow reserves	8,153,109	24,275,709
Total assets	<u>\$ 73,872,504</u>	<u>\$ 65,992,275</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 239,525	\$ 298,184
Accrued salaries and other payroll-related expenses	402,154	402,765
Construction cost payable	2,999,778	-
Bonds payable, current portion	960,000	920,000
Accrued interest	26,609	28,142
Short-term operating lease liabilities	17,752	-
Refundable advances	137,971	396,128
Total current liabilities	4,783,789	2,045,219
Long-term liabilities		
Bonds payable, less current portion, net	16,346,588	17,410,453
Total liabilities	21,130,377	19,455,672
Net assets		
Undesignated	52,661,555	46,458,040
Reserve - contingency	80,572	78,563
Total net assets without donor restrictions	52,742,127	46,536,603
Total liabilities and net assets	<u>\$ 73,872,504</u>	<u>\$ 65,992,275</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY
Consolidated Statements of Activities
For the years ended June 30,

<u>Operating revenue and other support</u>	2023	2022
State and local per pupil operating revenue		
General education	\$ 8,078,225	\$ 9,382,933
Special education	278,354	396,800
Total state and local per pupil operating revenue	8,356,579	9,779,733
Grants, contracts and other support		
Federal grants	2,689,569	1,451,731
State and local grants	46,179	39,684
Contributions	254,912	-
Investment income	849,656	55,497
Total grants, contracts and other support	3,840,316	1,546,912
Total operating revenue and other support	12,196,895	11,326,645
<u>Expenses</u>		
Program expenses		
Regular education	5,007,830	4,253,326
Special education	282,602	254,481
Total program expenses	5,290,432	4,507,807
Supporting services		
Management and general	700,939	616,960
Total program and supporting services expenses	5,991,371	5,124,767
Change in net assets	6,205,524	6,201,878
Net assets without restrictions - beginning of year	46,536,603	40,334,725
Net assets without restrictions - end of year	<u>\$ 52,742,127</u>	<u>\$ 46,536,603</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the year ended June 30, 2023

		Program expenses			Supporting services	Total Program and Supporting services
	No. of positions	Regular education	Special education	Total programs	Management and general	
Salaries						
Instructional personnel	26.00	\$ 2,094,484	\$ 113,869	\$ 2,208,353	\$ -	\$ 2,208,353
Administrative staff personnel	7.10	397,998	21,638	419,636	346,387	766,023
Total salaries	33.10	2,492,482	135,507	2,627,989	346,387	2,974,376
Operating expenses						
Payroll taxes and fringe benefits		638,055	34,392	672,447	89,279	761,726
Retirement		63,001	3,722	66,723	8,149	74,872
Professional and consulting		14,158	1,336	15,494	120,884	136,378
Staff development		7,910	491	8,401	854	9,255
Textbooks and curriculum		537,605	29,232	566,837	61	566,898
Student food service		1,656	91	1,747	-	1,747
Communication and technology		66,117	4,107	70,224	7,141	77,365
Equipment rental and lease		23,997	1,491	25,488	2,591	28,079
Student and staff recruiting		236,218	14,673	250,891	25,513	276,404
Supplies and materials		127,659	7,930	135,589	13,788	149,377
Repairs and maintenance		11,621	722	12,343	1,255	13,598
Administrative		70,340	4,370	74,710	7,598	82,308
Insurance		58,946	3,661	62,607	6,367	68,974
Interest		487,132	30,259	517,391	52,611	570,002
Depreciation		170,933	10,618	181,551	18,461	200,012
Total operating expenses		2,515,348	147,095	2,662,443	354,552	3,016,995
Total expenses		\$ 5,007,830	\$ 282,602	\$ 5,290,432	\$ 700,939	\$ 5,991,371

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

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the year ended June 30, 2022

		Program expenses			Supporting services	Total Program and Supporting services
	No. of positions	Regular education	Special education	Total programs	Management and general	
Salaries						
Instructional personnel	27.20	\$ 2,047,964	\$ 120,995	\$ 2,168,959	\$ -	\$ 2,168,959
Administrative staff personnel	6.10	378,591	22,368	400,959	313,870	714,829
Total salaries	33.30	2,426,555	143,363	2,569,918	313,870	2,883,788
Operating expenses						
Payroll taxes and fringe benefits		595,216	35,166	630,382	76,989	707,371
Retirement		72,932	4,309	77,241	9,434	86,675
Professional and consulting		2,040	193	2,233	105,735	107,968
Staff development		3,102	193	3,295	335	3,630
Textbooks and curriculum		140,194	8,315	148,509	1,160	149,669
Communication and technology		49,717	3,088	52,805	5,369	58,174
Equipment rental and lease		23,684	1,471	25,155	2,558	27,713
Student and staff recruiting		162,622	10,101	172,723	17,563	190,286
Supplies and materials		41,915	2,604	44,519	4,527	49,046
Repairs and maintenance		17,993	1,118	19,111	1,943	21,054
Administrative		21,228	1,319	22,547	2,294	24,841
Insurance		55,760	3,464	59,224	6,022	65,246
Interest		515,888	32,045	547,933	55,717	603,650
Depreciation		124,480	7,732	132,212	13,444	145,656
Total operating expenses		1,826,771	111,118	1,937,889	303,090	2,240,979
Total expenses		\$ 4,253,326	\$ 254,481	\$ 4,507,807	\$ 616,960	\$ 5,124,767

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

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY**Consolidated Statements of Cash Flows**

For the years ended June 30,

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 6,205,524	\$ 6,201,878
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	200,012	145,656
Amortization - debt issuance costs	61,159	61,159
Amortization - bond premium	(165,024)	(165,024)
Amortization of operating lease right-of-use assets	19,404	-
Unrealized loss	49,559	-
Changes in operating assets and liabilities		
Grants receivable	(1,665,441)	(434,894)
Prepaid insurance	-	18,523
Accounts payable and accrued expenses	(58,659)	(388,883)
Accrued payroll and benefits	(611)	(70,989)
Accrued interest payable	(1,533)	(1,310)
Operating lease liabilities	(19,404)	-
Refundable advances	(258,157)	320,346
Net cash provided by operating activities	4,366,829	5,686,462
Cash flows used in investing activities		
Investments	(18,629,961)	-
Acquisition of fixed assets	(17,110,555)	(14,539,420)
Net cash used in investing activities	(35,740,516)	(14,539,420)
Cash flows from financing activities		
Repayment of bonds payable	(920,000)	(885,000)
Net cash used in financing activities	(920,000)	(885,000)
Net decrease in cash, cash equivalents and restricted cash	(32,293,687)	(9,737,958)
Cash, cash equivalents and restricted cash - beginning of year	42,278,699	52,016,657
Cash, cash equivalents and restricted cash - end of year	\$ 9,985,012	\$ 42,278,699
Cash, cash equivalents and restricted cash as reported within the consolidated statements of financial position		
Cash and cash equivalents	\$ 1,831,903	\$ 18,002,990
Restricted cash and escrow reserves	8,153,109	24,275,709
Total cash, cash equivalents and restricted cash	\$ 9,985,012	\$ 42,278,699
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 675,400	\$ 708,826

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

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 1 Organization

Academic Leadership Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Bronx, New York. The School was granted a provisional charter on February 10, 2009, which is valid until June 30, 2028. The School served from Kindergarten through seventh grade in 2015 and added eighth grade in 2016. The School provides a broad-based education for all students, focusing on developing good character as well as comprehension and analytical skills across all disciplines, ranging from the fundamentals of reading and mathematics to fine arts, physical education, drama, and dance.

The School is the sole member of Friends of Academic Leadership CS LLC (the "Friends of ALCS"), a limited liability company formed in June 2019. The Friends of ALCS was considered as a disregarded entity for federal and state tax purpose.

From hereon, the School and Friends of ALCS are referred to as the “Organization”.

Note 2 Summary of significant accounting policies

Principles of consolidation. The financial statements are consolidated to include the accounts of the School and the Friends of ALCS. All significant intercompany transactions and balances have been eliminated in the consolidation.

Basis of presentation and use of estimates. The consolidated financial statements have been prepared in conformity 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statements presentation. The consolidated financial statements of the Organization follows the accounting standard for not-for-profit organization, which require the Organization to report information regarding its consolidated statements of financial position and consolidated statements of activities according to the following net asset classifications:

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

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 Summary of significant accounting policies – (continued)

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net asset without donor restrictions in the consolidated statements of activities.

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

Investments. Investments are recorded at fair value in the consolidated statements of financial position, as determined by reference to quoted market prices. Investments consist of amounts held in bank sweep and fixed income securities. Donated investments are recorded at fair value on the date of receipt. Investment income is included in unrestricted support and revenue, unless restricted by donor or law.

Fair value of investments. The fair value hierarchy of *Fair Value Measurements* defines fair value, establishes a consistent framework for measuring fair value, and expands the disclosure requirements of fair value measurements. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 - Inputs are inputs (other than quoted prices included within Level I) that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability, and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 Summary of significant accounting policies – (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization has investments in bank sweep and fixed income securities which are reported at market value based on quoted prices. Unrealized and realized gains and losses in these investments are recorded as unrestricted support and revenue, unless restricted by donor or law.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments which have been accounted for at fair value on a recurring basis as of June 30, 2023:

	Level 1	Total
Bank sweep	\$ 845,914	\$ 845,914
Fixed income securities	17,734,488	17,734,488
	<u>\$ 18,580,402</u>	<u>\$ 18,580,402</u>

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

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

Grants receivable. Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the Organization'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. Grants receivable are \$2,409,351 and \$743,910 at June 30, 2023 and 2022, respectively. There is no allowance recorded at June 30, 2023 and 2022, as all amounts are deemed collectible.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 Summary of significant accounting policies – (continued)

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The Organization capitalizes additions and significant improvements in excess of \$500. Items with an acquisition cost of less than \$500 or a useful life of less than one year are expensed in the year purchased. 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:

Asset	Useful life
Furniture and fixtures	7 years
Computer, software and office equipment	3 years

Leases. As of July 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which was amended in some respects by subsequent ASUs, collectively Accounting Standards Codification 842 (ASC 842), and supersedes existing lease guidance. The standard requires the Organization to record operating lease right-of-use assets and corresponding lease liabilities on the statement of financial position and disclose key quantitative and qualitative information about lease contracts.

Under ASC 842, the Organization determines if a contract is a leasing arrangement at inception. Operating lease right-of-use assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses the risk-free rate of return. The Organization recognized operating lease expense for operating leases on a straight-line basis over the lease term.

The Organization leases various office equipment under non-cancelable operating leases. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

Reserve contingency. Under the provisions of its charter, the Organization established an escrow amount to pay for legal and audit expenses that would be associated with dissolution, should such event occur.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 Summary of significant accounting policies – (continued)

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

Donated goods and services. The Organization is located in two New York City Department of Education facility's and utilizes a combined total of approximately 156,846 square feet for both facilities at no charge. In addition, the Organization received donated transportation and food service services from the local district. The Organization was unable to determine a value for these services.

The Organization shares space with a New York City public school. The Organization is not responsible for services other than the security needed after public school hours.

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization 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, 2023, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying consolidated financial statements.

The Organization is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2020.

Functional expenses. The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services, administrative and fund raising. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Professional and consulting	Time and effort
Insurance	Square footage
Repairs and maintenance	Time and effort

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 Summary of significant accounting policies – (continued)

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 measure, the Organization cannot reasonably estimate the impact to future results of operations.

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.

Recently adopted accounting pronouncements. In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* that requires a lessee to recognize on the statement of financial position a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term, regardless of classification of a lease as an operating or finance lease. The Organization adopted ASU 2016-02 on July 1, 2022, using the modified retrospective approach for operating leases, with a term greater than 12 months. The Organization also elected the package of practical expedients permitted under the new standard that allowed the School to carry forward historical lease classification for existing leases on the adoption date, and allowed the Organization not to assess whether an existing contract contains a lease or initial direct costs. As permitted by the guidance, prior comparative periods will not be adjusted under this method.

The adoption of this standard resulted in recognition of operating lease right-of-use assets in the amount of \$37,156 and lease liabilities in the amount of \$37,156 for operating leases on the consolidated statement of financial position as of July 1, 2022. There was no material impact on the consolidated statements of activities, consolidated statements of functional expenses or consolidated statements of cash flows.

Note 3 Retirement plan

The Organization offers a 401(k) plan for all full-time employees after 90 days. Participation in the plan is voluntary. Employees can make pretax contributions. Up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The Organization matches 100% of an employee's contribution up to 5% of the employee's annual compensation. For the years ended June 30, 2023 and 2022, the Organization's matching contribution were \$74,872 and \$86,675, respectively. Such plan assets are held in a separate trust and are not included in the accompanying consolidated financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY**Notes to the Consolidated Financial Statements**

June 30, 2023 and 2022

Note 4 Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, are:

Financial assets:	2023	2022
Cash and cash equivalents	\$ 1,831,903	\$ 18,002,990
Investments	18,580,402	-
Grants receivable	2,409,351	743,910
Amount available for general expenditures within one year	<u>\$ 22,821,656</u>	<u>\$ 18,746,900</u>

Note 5 Investments

The following summarizes the Organization's investments measured at fair value at June 30, 2023:

	Cost	Fair value
Bank sweep	\$ 845,914	\$ 845,914
Fixed income securities	17,784,047	17,734,488
	<u>\$ 18,629,961</u>	<u>\$ 18,580,402</u>

Note 6 Accrued salaries and other payroll-related expenses

Accrued salaries and other payroll-related expenses consist of amounts earned by the staff during the school year which are paid out over the summer months. As of June 30, 2023 and 2022, total accrued salaries and other payroll-related expenses amounted to \$402,154 and \$402,765 respectively.

Note 7 Concentrations of risk

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

The Organization received approximately 69% and 86% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the year ended June 30, 2023 and 2022, respectively. Additionally, the Organization's grants receivable consists of approximately 100% and 70%, respectively, from the New York State Department of Education.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 8 Bonds payable

On June 15, 2021, Build NYC Resource Corporation provided construction and permanent financing through the issuance of \$17,777,000 in Tax-Exempt Revenue Bonds (the “Series 2021 Bonds”), bearing interest at 4% per annum, with principal due at varying amounts annually through maturity on June 15, 2036. The proceeds of the bonds were used to construct a seven-story building in the Bronx, New York, to be used as classroom and administration space.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 960,000
2025	1,000,000
2026	1,040,000
2027	1,080,000
2028	1,125,000
Thereafter	10,760,000
Total	15,965,000
Less: current portion	(960,000)
Add: Unamortized bond issuance costs and issuance premium, net	1,341,588
Long-term bonds payable, net	<u><u>\$ 16,346,588</u></u>

Amortization of the premiums amounted to \$(165,024) for each of the years ended June 30, 2023 and 2022 is included in interest expense.

Amortization expense of debt issuance costs amounted to \$61,159 for each of the years ended June 30, 2023 and 2022, and is included in interest expense.

As of June 30, 2023 and 2022, the School was in compliance with all debt covenants pursuant to the bond agreement.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022

Note 9 Property, plant and equipment

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

	2023	2022
Land	\$ 3,259,800	\$ 3,259,800
Construction-in-progress	39,041,671	19,382,037
Furniture and fixtures	274,359	253,568
Equipment	1,650,622	1,220,714
Software	10,288	10,288
	44,236,740	24,126,407
Less, accumulated depreciation	(1,356,753)	(1,156,741)
	<u>\$ 42,879,987</u>	<u>\$ 22,969,666</u>

Land relates to a parcel of land on 356-362 East 139th Street in the Bronx, New York, which will be used to construct the Organization's future educational facility.

Depreciation expense for the years ended June 30, 2023 and 2022 was \$200,012 and \$145,656, respectively.

Construction-in-progress at June 30, 2023 and 2022 consist of costs incurred for architecture, engineering, and professional fees related to the construction of the Organization's future education facility that is not yet in service. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

Note 10 Leases

The School has entered into a ground lease agreement for its land located at 356-62 East 139th Street, Bronx, New York 10454, with the Friends of ALCS for a period of 15 years commencing June 16, 2021 to June 15, 2036. The Friends of LLC is required to pay the annual rent of \$10 as defined in the ground lease agreement.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY**Notes to the Consolidated Financial Statements**

June 30, 2023 and 2022

Note 10 Leases – (continued)

The School leases various office equipment under non-cancelable operating leases.

The School determines if an arrangement is a lease at the inception of a contract, and recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

Operating expenses for the leasing activity of the School as lessee for the year ended June 30, 2023 are as follows:

Lease type	
Operating lease costs	\$ 20,208
Short-term lease costs	7,871
	<u>\$ 28,079</u>

Total rent expense was \$28,079 and \$27,713 for the years ended June 30, 2023 and 2022, respectively, and is included in equipment rental and lease on the accompanying statements of functional expenses.

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2023, and a reconciliation to operating lease liabilities reported on the statements of financial position:

2024	\$ 18,003
Total lease payments	18,003
Less interest	(251)
Present value of lease liabilities	<u>\$ 17,752</u>

Operating lease terms and discount rate at June 30, 2023 are as follows:

Weighted average remaining lease term (years)	0.88
Weighted average discount rate	2.84%

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 10 Leases – (continued)

The following summarizes cash paid for operating lease liabilities and other non-cash information as of June 30, 2023:

Cash paid for amounts included in	
measurement of operating lease liabilities	\$ 20,208
Operating lease right-of-use assets obtained	
in exchange for operating lease obligations	\$ 37,156

Note 11 Contingency

The Organization participates in a number of federal and state programs. These programs require that the Organization 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 Organization's financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying consolidated financial statements.

Note 12 Subsequent events

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through October 30, 2023, the date that the consolidated financial statements were available to be issued. There were no events requiring adjustments or disclosure to the consolidated financial statements.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY
Schedule of Debt Covenants
For the year ended June 30, 2023

	<u>Minimum Requirement</u>	<u>Actual</u>
Debt service coverage ratio	1.10	4.37
Days cash on hand	60	1,286

The debt service coverage ratio is calculated as follows:

Increase in net assets	\$ 6,205,524	
Add back: Interest expense	570,002	
Depreciation	200,012	
Net revenues available for debt service	<u>\$ 6,975,538</u>	
Debt service payments		
Interest expense	\$ 675,400	
Principal	920,000	
Total current debt service	<u>\$ 1,595,400</u>	
Net revenues available for debt service	<u>\$ 6,975,538</u>	
Total current debt service	<u>\$ 1,595,400</u>	= 4.37

The days cash on hand is calculated as follows:

Total expenses	\$ 5,991,371	
Less: Depreciation and amortization	<u>(200,012)</u>	
Net expenses	5,791,359	
Number of days	365	
Cash used per day	<u>\$ 15,867</u>	
Cash and cash equivalents at year end	<u>\$ 20,412,305</u>	
Cash used per day	<u>\$ 15,867</u>	= 1,286

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Consolidating Statement of Financial Position

As of June 30, 2023

	The School	Friends of ALCS	Eliminations	Consolidated
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 1,831,903	\$ -	\$ -	\$ 1,831,903
Investments	18,580,402	-	-	18,580,402
Grants receivable	2,409,351	-	-	2,409,351
Total current assets	22,821,656	-	-	22,821,656
Property and equipment, net	3,838,316	39,041,671	-	42,879,987
Other assets				
Operating lease assets	17,752	-	-	17,752
Investment in Friends of ALCS	27,483,902	-	(27,483,902)	-
Restricted cash and escrow reserves	80,572	8,072,537	-	8,153,109
Total assets	<u>\$ 54,242,198</u>	<u>\$ 47,114,208</u>	<u>\$ (27,483,902)</u>	<u>\$ 73,872,504</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued expenses	\$ 239,525	\$ -	\$ -	\$ 239,525
Accrued salaries and other payroll-related expenses	402,154	-	-	402,154
Construction cost payable	-	2,999,778	-	2,999,778
Bonds payable - current portion	-	960,000	-	960,000
Accrued interest	-	26,609	-	26,609
Short-term operating lease liabilities	17,752	-	-	17,752
Refundable advances	137,971	-	-	137,971
Total current liabilities	797,402	3,986,387	-	4,783,789
Long-term liabilities				
Bonds payable, less current portion, net	-	16,346,588	-	16,346,588
Total liabilities	<u>797,402</u>	<u>20,332,975</u>	<u>-</u>	<u>21,130,377</u>
Net assets				
Undesignated	53,364,224	26,781,233	(27,483,902)	52,661,555
Reserve - contingency	80,572	-	-	80,572
Total net assets without donor restrictions	<u>53,444,796</u>	<u>26,781,233</u>	<u>(27,483,902)</u>	<u>52,742,127</u>
Total liabilities and net assets	<u>\$ 54,242,198</u>	<u>\$ 47,114,208</u>	<u>\$ (27,483,902)</u>	<u>\$ 73,872,504</u>

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Consolidating Statement of Financial Position

As of June 30, 2022

	The School	Friends of ALCS	Eliminations	Consolidated
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 18,002,990	\$ -	\$ -	\$ 18,002,990
Grants receivable	743,910	-	-	743,910
Total current assets	18,746,900	-	-	18,746,900
Property and equipment, net	3,587,629	19,382,037	-	22,969,666
Other assets				
Investment in Friends of ALCS	25,840,480	-	(25,840,480)	-
Restricted cash and escrow reserves	78,563	24,197,146	-	24,275,709
Total assets	<u>\$ 48,253,572</u>	<u>\$ 43,579,183</u>	<u>\$ (25,840,480)</u>	<u>\$ 65,992,275</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued expenses	\$ 298,184	\$ -	\$ -	\$ 298,184
Accrued salaries and other payroll-related expenses	402,765	-	-	402,765
Bonds payable - current portion	-	920,000	-	920,000
Accrued interest	-	28,142	-	28,142
Refundable advances	396,128	-	-	396,128
Total current liabilities	1,097,077	948,142	-	2,045,219
Long-term liabilities				
Bonds payable, less current portion, net	-	17,410,453	-	17,410,453
Total liabilities	<u>1,097,077</u>	<u>18,358,595</u>	<u>-</u>	<u>19,455,672</u>
Net assets				
Undesignated	47,077,932	25,220,588	(25,840,480)	46,458,040
Reserve - contingency	78,563	-	-	78,563
Total net assets without donor restrictions	<u>47,156,495</u>	<u>25,220,588</u>	<u>(25,840,480)</u>	<u>46,536,603</u>
Total liabilities and net assets	<u>\$ 48,253,572</u>	<u>\$ 43,579,183</u>	<u>\$ (25,840,480)</u>	<u>\$ 65,992,275</u>

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Consolidating Statement of Activities

For the year ended June 30, 2023

	The School	Friends of ALCS	Elimination	Consolidated
Operating revenue and other support				
State and local per pupil operating revenue				
General education	\$ 8,078,225	\$ -	\$ -	\$ 8,078,225
Special education	278,354	-	-	278,354
Total state and local per pupil operating revenue	8,356,579	-	-	8,356,579
Grants, contract and other support				
Federal grants	2,689,569	-	-	2,689,569
State and local grants	46,179	-	-	46,179
Contributions	254,912	-	-	254,912
Investment income	362,431	487,225	-	849,656
Total operating revenue and other support	11,709,670	487,225	-	12,196,895
Expenses				
Program expenses				
Regular education	4,520,698	487,132	-	5,007,830
Special education	252,343	30,259	-	282,602
Total program expenses	4,773,041	517,391	-	5,290,432
Supporting services				
Management and general	648,328	52,611	-	700,939
Total program and supporting services expenses	5,421,369	570,002	-	5,991,371
Change in net assets	6,288,301	(82,777)	-	6,205,524
Net assets without donor restrictions - beginning of year	47,156,495	25,220,588	(25,840,480)	46,536,603
Capital contribution	-	1,643,422	(1,643,422)	-
Net assets without donor restrictions - end of year	\$ 53,444,796	\$ 26,781,233	\$ (27,483,902)	\$ 52,742,127

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Activities
For the year ended June 30, 2022

	The School	Friends of ALCS	Elimination	Consolidated
Operating revenue and other support				
State and local per pupil operating revenue				
General education	\$ 9,382,933	\$ -	\$ -	\$ 9,382,933
Special education	396,800	-	-	396,800
Total state and local per pupil operating revenue	9,779,733	-	-	9,779,733
Grants, contract and other support				
Federal grants	1,451,731	-	-	1,451,731
State and local grants	39,684	-	-	39,684
Interest and other income	50,943	4,554	-	55,497
Total operating revenue and other support	11,322,091	4,554	-	11,326,645
Expenses				
Program expenses				
Regular education	3,737,438	515,888	-	4,253,326
Special education	222,436	32,045	-	254,481
Total program expenses	3,959,874	547,933	-	4,507,807
Supporting services				
Management and general	561,243	55,717	-	616,960
Total program and supporting services expenses	4,521,117	603,650	-	5,124,767
Change in net assets	6,800,974	(599,096)	-	6,201,878
Net assets without donor restrictions - beginning of year	40,355,521	(20,796)	-	40,334,725
Capital contribution	-	25,840,480	(25,840,480)	-
Net assets without donor restrictions - end of year	\$ 47,156,495	\$ 25,220,588	\$ (25,840,480)	\$ 46,536,603

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Identifying Number	Passed Through to Subrecipients	Federal expenditures
U.S. Department of Education				
<u>Pass-through New York State Education Department:</u>				
Title I Grants to Local Educational Agencies	84.010A	0021-23-4515	\$ -	\$ 320,988
Title II, part A Supporting Effective Instruction State Grants	84.367A	0147-23-4515	-	30,868
Title IV, Grants to Student Support and Academic Enrichment	84.282A	0204-23-4515	-	29,529
Title IV, Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools	84.282M	0089-23-9001	-	662,977
Total for program			-	692,506
Education Stabilization Fund:				
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	5890-21-4515	-	86,257
COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	5891-21-4515	-	647,913
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	5880-21-4515	-	814,062
Total for program			-	1,548,232
Total U.S. Department of Education			-	2,592,594
Total Expenditures of Federal Awards			\$ -	\$ 2,592,594

The accompanying notes are an integral part to the schedule.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Academic Leadership Charter School and Subsidiary for the year ended June 30, 2023. 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 Academic Leadership Charter School and Subsidiary, it is not intended to, and does not, present the financial position, changes in net position or cash flows of Academic Leadership Charter School and Subsidiary.

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

Academic Leadership Charter School and Subsidiary has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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
Academic Leadership Charter School and Subsidiary

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 consolidated financial statements of Academic Leadership Charter School and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2023.

Report on internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered Academic Leadership Charter School and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Academic Leadership Charter School and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Academic Leadership Charter School and Subsidiary'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 consolidated 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 Academic Leadership Charter School and Subsidiary's consolidated 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 consolidated 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 Finding No. 2023-001.

Academic Leadership Charter School and Subsidiary's response to the finding

Government Auditing Standards requires the auditor to perform limited procedures on Academic Leadership Charter School and Subsidiary's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Academic Leadership Charter School and Subsidiary's response was not subjected to the other auditing procedures applied in the audit of the consolidated 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 30, 2023

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
Academic Leadership Charter School and Subsidiary

Report on compliance for each major federal program

Opinion on each major federal program

We have audited Academic Leadership Charter School and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Academic Leadership Charter School and Subsidiary's major federal programs for the year ended June 30, 2023. Academic Leadership Charter School and Subsidiary'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, Academic Leadership Charter School and Subsidiary 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Academic Leadership Charter School and Subsidiary 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 Academic Leadership Charter School and Subsidiary'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 Academic Leadership Charter School and Subsidiary'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 Academic Leadership Charter School and Subsidiary'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 Academic Leadership Charter School and Subsidiary'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 Academic Leadership Charter School and Subsidiary'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 Academic Leadership Charter School and Subsidiary'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 Academic Leadership Charter School and Subsidiary'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.



New York, New York
October 30, 2023

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

Schedule I – Summary of auditor’s results

Financial statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not Considered to be material weakness(es)?

___ yes X no

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not Considered to be material weakness(es)?

___ yes X no

___ yes X none reported

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

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance under Section 2CFR200.516(a)

___ yes X no

Identification of major federal programs:

Federal

Assistance

Listing Number

Name of Federal Program or Cluster

84.425D	COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund
84.425D	COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund
84.425U	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)

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

\$750,000

Auditee qualified as low-risk auditee?

___ yes X no

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

Section II – Financial Statement Findings

Finding No. 2023-001 – Teacher certification

Criteria: 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 the School's uncertified teachers exceeds the maximum uncertified teachers allowed.

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

Effect: The School is not compliant with federal and state regulations that all teachers are New York certified, except for the exemptions noted above.

Recommendation: We recommend that the School 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: The School's management agrees with this finding.

Section III – Federal Award Findings and Questioned Costs

None noted.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Corrective Action Plan

For the year ended June 30, 2023

The School applies following corrective action plans for Finding No. 2023-01 to reduce the number of uncertified teachers:

1. The School's management has met with every teacher who is uncertified and assessed where they are in the process of attaining certification.
2. The School's Principal offers informational sessions to teachers considering certification to assist them with the process.
3. The School offers an immediate salary increase to teachers who receive certification throughout the school year.

ACADEMIC LEADERSHIP CHARTER SCHOOL AND SUBSIDIARY

Summary Schedule of Prior Audit Findings

For the year ended June 30, 2023

Finding No. 2022-001 – Teacher certification

Criteria: 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 the School's uncertified teachers exceeds the maximum uncertified teachers allowed.

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

Effect: The School is not compliant with federal and state regulations that all teachers are New York certified, except for the exemptions noted above.

Recommendation: We recommend that the School 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: The School's management agrees with this finding.