

TAPESTRY CHARTER SCHOOL
SINGLE AUDIT REPORTING PACKAGE
JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Tapestry Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of Tapestry Charter School (the School) 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.

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 changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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.

2022 Financial Statements

The financial statements of the School for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on October 31, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, 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 for one year after the date that the financial statements are issued.

Auditors' Responsibility 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 GAAS 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the 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* (Uniform Guidance), 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 GAAS. 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 20, 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, 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.

A handwritten signature in blue ink that reads "Lunden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 20, 2023

TAPESTRY CHARTER SCHOOL

Balance Sheets

June 30,	2023	2022
Assets		
Current assets:		
Cash	\$ 4,784,268	\$ 6,029,163
Receivables (Note 2)	2,351,185	2,262,975
Prepaid expenses	22,261	58,237
	<u>7,157,714</u>	<u>8,350,375</u>
Property and equipment, net (Note 3)	30,865,525	29,954,714
Investments held in trust (Note 4)	<u>4,815,175</u>	<u>4,368,237</u>
	<u>\$ 42,838,414</u>	<u>\$ 42,673,326</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 493,027	\$ 460,663
Accounts payable and accrued expenses	3,163,666	3,746,370
	<u>3,656,693</u>	<u>4,207,033</u>
Long-term debt (Note 5)	31,447,900	31,940,928
Net assets:		
Without donor restrictions	7,602,102	6,438,317
With donor restrictions	131,719	87,048
	<u>7,733,821</u>	<u>6,525,365</u>
	<u>\$ 42,838,414</u>	<u>\$ 42,673,326</u>

See accompanying notes.

TAPESTRY CHARTER SCHOOL

Statements of Activities

For the years ended June 30,	2023	2022
Support and revenue:		
Enrollment fees:		
Resident students	\$ 14,501,026	\$ 14,329,669
Resident students with disabilities	1,986,971	1,863,680
Contributions:		
Federal awards	3,059,770	1,669,630
In-kind	15,665	-
State awards and other	232,282	931,569
Interest and dividends	145,133	14,921
Other income	166,752	149,271
Net assets released from restrictions	87,814	47,677
Total support and revenue	20,195,413	19,006,417
Expenses:		
Program expenses:		
Regular education	12,107,293	12,500,051
Special education	1,464,456	1,687,020
Other programs	2,141,065	2,037,018
Total program expenses	15,712,814	16,224,089
Supporting services:		
Management and general	3,261,039	2,678,273
Development	57,775	77,300
Total supporting services	3,318,814	2,755,573
Total expenses	19,031,628	18,979,662
Change in net assets without donor restrictions	1,163,785	26,755
Changes in net assets with donor restrictions:		
Contributions - state and other awards	132,485	90,167
Net assets released from restrictions	(87,814)	(47,677)
Change in net assets with donor restrictions	44,671	42,490
Change in net assets	1,208,456	69,245
Net assets - beginning	6,525,365	6,456,120
Net assets - ending	\$ 7,733,821	\$ 6,525,365

See accompanying notes.

TAPESTRY CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2023

	Number of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Other Programs	Management and General	Development	
Administrative personnel	27.0	\$ -	\$ -	\$ -	\$ 1,799,310	\$ 28,397	\$ 1,827,707
Instructional personnel	138.0	5,987,809	947,974	-	-	-	6,935,783
Non-instructional personnel	23.0	-	-	1,189,596	159,318	-	1,348,914
	188.0	\$ 5,987,809	\$ 947,974	\$ 1,189,596	\$ 1,958,628	\$ 28,397	\$ 10,112,404
Salaries		\$ 5,987,809	\$ 947,974	\$ 1,189,596	\$ 1,958,628	\$ 28,397	\$ 10,112,404
Employee benefits and payroll taxes		921,132	145,832	183,001	301,305	4,368	1,555,638
Retirement		529,284	83,795	105,153	173,130	2,510	893,872
Contracted services		140,490	-	-	-	-	140,490
Arts, dance and music		16,086	-	-	-	-	16,086
Special education services		-	47,047	-	-	-	47,047
Classroom supplies and materials		130,728	-	-	-	-	130,728
Technology		263,775	-	-	-	-	263,775
Student activities		-	-	62,047	-	-	62,047
Student services		-	-	25,969	-	-	25,969
Student testing and assessments		86,323	-	-	-	-	86,323
Athletics		112,184	-	-	-	-	112,184
Field trips		67,224	-	-	-	-	67,224
Transportation		-	-	26,389	-	-	26,389
Food service		-	-	308,038	-	-	308,038
School store		-	-	1,064	-	-	1,064
Staff development		15,345	-	-	-	-	15,345
Student and teacher recruitment		-	-	-	23,094	-	23,094
Repair and maintenance		807,462	50,466	50,466	100,933	-	1,009,327
Utilities		158,298	9,894	9,894	19,787	-	197,873
Telephone and internet		31,635	1,977	1,977	3,954	-	39,543
Insurance		141,169	8,823	8,823	17,646	-	176,461
Office expense		138,264	8,642	8,642	17,283	-	172,831
Professional fees		-	-	-	325,268	22,500	347,768
Other expense		71,057	4,441	4,441	8,882	-	88,821
Bond interest expense		1,278,104	79,882	79,882	159,763	-	1,597,631
		10,896,369	1,388,773	2,065,382	3,109,673	57,775	17,517,972
Depreciation		1,210,924	75,683	75,683	151,366	-	1,513,656
Total		\$ 12,107,293	\$ 1,464,456	\$ 2,141,065	\$ 3,261,039	\$ 57,775	\$ 19,031,628

See accompanying notes.

TAPESTRY CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2022

	Number of Positions	Regular Education	Special Education	Other Programs	Management and General	Development	Total
Administrative personnel	28.0	\$ -	\$ -	\$ -	\$ 1,588,793	\$ 62,844	\$ 1,651,637
Instructional personnel	147.0	6,509,213	1,109,654	-	-	-	7,618,867
Non-instructional personnel	23.0	-	-	1,199,701	-	-	1,199,701
	198.0	\$ 6,509,213	\$ 1,109,654	\$ 1,199,701	\$ 1,588,793	\$ 62,844	\$ 10,470,205
Salaries		\$ 6,509,213	\$ 1,109,654	\$ 1,199,701	\$ 1,588,793	\$ 62,844	\$ 10,470,205
Employee benefits and payroll taxes		965,238	164,549	177,901	236,119	8,800	1,552,607
Retirement		532,095	90,708	98,069	129,357	5,656	855,885
Contracted services		96,053	-	-	-	-	96,053
Arts, dance and music		9,323	-	-	-	-	9,323
Special education services		-	94,813	-	-	-	94,813
Classroom supplies and materials		184,737	-	-	-	-	184,737
Technology		326,885	-	-	-	-	326,885
Student activities		-	-	56,721	-	-	56,721
Student services		-	-	16,509	-	-	16,509
Student testing and assessments		83,097	-	-	-	-	83,097
Athletics		67,821	-	-	-	-	67,821
Field trips		37,952	-	-	-	-	37,952
Transportation		-	-	15,162	-	-	15,162
Food service		-	-	243,090	-	-	243,090
School store		-	-	2,569	-	-	2,569
Staff development		50,899	-	-	-	-	50,899
Student and teacher recruitment		-	-	-	22,446	-	22,446
Repair and maintenance		691,871	43,242	43,242	86,484	-	864,839
Utilities		178,832	11,177	11,177	22,354	-	223,540
Telephone and internet		36,691	2,293	2,293	4,586	-	45,863
Insurance		146,230	9,139	9,139	18,279	-	182,787
Office expense		113,742	7,109	7,109	14,218	-	142,178
Professional fees		-	-	-	246,967	-	246,967
Other expense		62,507	3,907	3,907	7,811	-	78,132
Bond interest expense		1,300,805	81,300	81,300	162,601	-	1,626,006
		11,393,991	1,617,891	1,967,889	2,540,015	77,300	17,597,086
Depreciation		1,106,060	69,129	69,129	138,258	-	1,382,576
Total		\$ 12,500,051	\$ 1,687,020	\$ 2,037,018	\$ 2,678,273	\$ 77,300	\$ 18,979,662

See accompanying notes.

Statements of Cash Flows

For the years ended June 30,	2023	2022
Operating activities:		
Cash received from enrollment fees	\$ 16,346,185	\$ 15,278,376
Cash received from contributions	3,475,392	3,303,560
Cash received from other sources	169,499	149,271
Interest and dividends received	145,133	14,921
Payments to employees for services and benefits	(12,494,291)	(11,472,712)
Payments to vendors and suppliers	(3,945,238)	(3,449,652)
Payments for bond interest	(1,609,506)	(1,572,482)
Net operating activities	2,087,174	2,251,282
Investing activities:		
Net deposits to investments held in trust	(446,938)	(90,937)
Property and equipment expenditures	(2,424,467)	(3,926,718)
Net investing activities	(2,871,405)	(4,017,655)
Financing activities		
Principal repayments on long-term debt	(460,664)	(500,437)
Net change in cash	(1,244,895)	(2,266,810)
Cash - beginning	6,029,163	8,295,973
Cash - ending	\$ 4,784,268	\$ 6,029,163

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

Tapestry Charter School (the School), established in 2001, operates a charter school in the City of Buffalo, New York (the City) pursuant to its Charter Agreement with the Education Department of the State of New York. The School currently offers classes from kindergarten through grade 12. The School has been chartered through 2026, after which time the charter may be renewed, upon application.

The School seeks to educate and inspire a diverse community of students by engaging them in rigorous real-world learning experiences which prioritize intellectual, social and emotional growth. The School provides an environment where students are encouraged to become self-directed, independent learners. Progressive, interdisciplinary teaching techniques are utilized along with the best resources available to fit the individual learning style of each student. Parent involvement is a significant component in the success of the School. The School enrolls students from families of diverse cultural, racial and socio-economic backgrounds.

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through October 20, 2023, the date the financial statements were available to be issued.

Cash:

Cash in financial institutions potentially subjects the School to concentrations of credit risk, since it may exceed insured limits at various times throughout the year. The School maintains a minimum of \$75,000 in reserve funds to pay legal and audit expenses that would be associated with dissolution should it occur.

Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful asset lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Investments Held in Trust:

Investments held in trust are stated at fair value as determined by quoted prices in active markets.

Revenue Recognition:

Enrollment Fees

Enrollment fees are received from the public school district where the students reside. The amount received each year from the resident district is the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the School residing in the district. The respective districts also reimburse the School for special education services based on approved applicable rates for the services provided. Revenues are recognized over the period the services are provided. The School generally invoices the resident district bimonthly and payment is due in 30 days. Enrollment fees received in advance are deferred and recognized when earned. The School's enrollment fees are received primarily from the City School District.

Contributions

Contributions are reported at fair value at the date the pledge or award is received. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

Conditional contributions, primarily government awards, are recorded as revenue when the School meets requirements in compliance with specific agreements. When applicable, amounts received before the required conditions are met are reported as refundable advances on the accompanying balance sheets. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

In-kind contributions represent donated commodities for the cafeteria program which would typically need to be purchased if not provided by donation. These amounts are recognized as revenue at estimated fair value when the commodities are received.

Receivables:

Receivables are stated at the amounts management expects to collect from outstanding balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to uncollectible receivables and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

Net Assets:

The School's financial position and activities are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors for a specific time period or purpose. Net assets with donor restrictions as of June 30, 2023 and 2022 are restricted for specific program and capital purposes.

Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under §501(a) of the Internal Revenue Code.

Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Expense Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include fringe benefits, payroll taxes, and retirement expenses, which have been allocated based on estimates of time and effort, and utilities, occupancy, insurance, office expenses, interest, and depreciation, which have been allocated based on management's estimate of program benefit.

Reclassifications:

The 2022 financial statements have been reclassified to conform with the presentation adopted in 2023.

2. Receivables:

	2023	2022
Contributions	\$ 1,726,717	\$ 1,777,572
Enrollment and other	624,468	485,403
	<u>\$ 2,351,185</u>	<u>\$ 2,262,975</u>

Enrollment fees receivable at June 30, 2023 and 2022 include amounts withheld by the City School District for disputed rates of special education services provided by the School from 2008 through 2018 (Note 8).

3. Property and Equipment:

	2023	2022
Land	\$ 1,513,386	\$ 1,513,386
Building and improvements	35,671,381	32,962,687
Equipment	3,020,002	2,839,380
Construction in progress	3,172,770	3,637,619
	<u>43,377,539</u>	<u>40,953,072</u>
Less accumulated depreciation	12,512,014	10,998,358
	<u>\$ 30,865,525</u>	<u>\$ 29,954,714</u>

Construction in progress at June 30, 2023 represents costs incurred for the construction of an athletic facility which was completed in July 2023 at a cost of approximately \$3,200,000.

4. Investments Held in Trust:

Investments held in trust consist primarily of money market mutual funds held in the following accounts by a trustee in compliance with the issuance of Series 2017 bonds (Note 5).

	2023	2022
Reserve fund	\$ 2,097,397	\$ 2,090,579
Renewal and repair fund	1,025,515	1,022,182
Custodian and other funds	1,692,263	1,255,476
	<u>\$ 4,815,175</u>	<u>\$ 4,368,237</u>

5. Long-Term Debt:

	2023	2022
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, annual principal payment ranging from \$300,000 to \$595,000 plus interest at 3.875%, through August 2027.	\$ 2,545,000	\$ 2,545,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, annual principal payment ranging from \$615,000 to \$995,000 plus interest at 5.000%, through August 2037.	7,745,000	7,745,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, annual principal payment ranging from \$1,005,000 to \$1,555,000 plus interest at 5.000%, through August 2047.	12,620,000	12,620,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, annual principal payment ranging from \$1,635,000 to \$1,985,000 plus interest at 5.000%, through August 2052.	9,035,000	9,035,000
Buffalo and Erie County Industrial Land Development Corporation taxable revenue bonds (Tapestry Charter School Project) Series 2017B, annual principal payment ranging from \$205,000 to \$475,000 plus interest at 6.000%, through August 2023.	205,000	680,000
Plus unamortized bond premium	741,313	791,750
Less unamortized debt issuance costs	950,386	1,015,159
	31,940,927	32,401,591
Less current portion	493,027	460,663
	\$ 31,447,900	\$ 31,940,928

In August 2017, the School entered into an agreement with Buffalo and Erie County Industrial Land Development Corporation (ILDC) to issue \$31,945,000 of tax exempt 2017A Series Bonds and \$1,955,000 taxable 2017B Series Bonds (collectively the Bonds) to finance the cost of a new school building and to refinance existing bank debt. The Bonds are secured by mortgage and security agreements granting the trustee a mortgage lien on and security interest in real and personal property as well as certain revenues, subject to permitted encumbrances. The Bonds are further secured by the reserve fund (Note 4). The Bond agreement contains restrictive covenants relative to debt service coverage and cash on hand.

Bond premium associated with the issuance of the Bonds is amortized as a reduction to interest expense over life of bonds. Unamortized bond premium is presented as an addition to the face amount of the Bonds payable. Amortization of the Series 2017 bond premium amounted to \$50,437 for the years ended June 30, 2023 and 2022.

Debt issuance costs are amortized as interest expense over the remaining term of the bonds. Amortization of debt issuance costs totaled \$64,773 for the years ended June 30, 2023 and 2022.

Aggregate maturities of net long-term debt subsequent to June 30, 2023 are:

2024	\$ 493,027
2025	518,501
2026	538,501
2027	558,501
2028	1,198,501
Thereafter	28,633,896
	\$ 31,940,927

6. Retirement Plans:

The School participates in the New York State Teachers' Retirement System (TRS) which is a cost-sharing multiple employer public employee retirement system. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from TRS at www.nystrs.org.

No employee contribution is required for those whose service began prior to July 1976. TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

Pursuant to Article 11 of Education Law, rates are established annually by the New York State Teachers' Retirement Board at an actuarially determined rate. The rate is 10.29% of the annual covered payroll for the year ended June 30, 2023 and 9.80% for the year ended June 30, 2022. The required contributions to TRS were \$881,524 and \$838,584 for the years ended June 30, 2023 and 2022.

The School also maintains a 403(b) profit sharing plan covering essentially all full-time employees currently not eligible through TRS (as defined). The plan requires certain minimum employer contributions based on salaries and employee deferrals. Expenses related to this plan for the years ended June 30, 2023 and 2022 were \$12,348 and \$17,301.

7. Financial Assets Available for Operations:

The School obtains financial assets generally through enrollment fees and contributions. The financial assets are acquired throughout the year to help meet the School's cash needs for general expenditures.

The School's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2023 and 2022:

	2023	2022
Cash	\$ 4,709,268	\$ 5,954,163
Receivables	2,351,185	2,262,975
	\$ 7,060,453	\$ 8,217,138

8. Contingencies:

In 2019, an audit by the Office of the New York State Comptroller determined the City School District had provided incorrect special education rates for over a decade. As a result, there is a dispute with the rate used for aid that passes through the City School District to the School for special education services.

The City School District recouped approximately \$782,000 in special education aid in the 2019-20 and 2020-21 school years through a reduction in the City School District's payments for enrollment fees earned by the School. To recover amounts withheld and pursuant to guidance, the School has submitted a State intercept to the New York State Education Department Commissioner and is following all administrative procedures to resolve the matter.

In 2021, the School received payment from the State for the 2019-20 school year recoupment for a total of approximately \$391,000. Management believes the School will receive the remaining funds through the State administrative procedure for the 2020-21 school year as well. Recoupment amounts outstanding are included in enrollment receivables (Note 2) and total \$391,000 and \$782,000 as of June 30, 2023 and 2022, respectively.

TAPESTRY CHARTER SCHOOL

Additional Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor Number	Expenditures
<u>U.S. Department of Education</u>			
Passed through New York State Education Department:			
Title I Grants to Local Educational Agencies	84.010	0021-23-4045	\$ 516,916
Supporting Effective Instruction State Grants	84.367	0147-23-4045	59,987
Student Support and Academic Enrichment Program	84.424	0204-23-4045	36,350
Education Stabilization Fund:			
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5880-21-4045	2,048,543 ²
Total U.S. Department of Education			<u>2,661,796</u>
<u>U.S. Department of Agriculture</u>			
Passed through New York State Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	41,365 ¹
National School Lunch Program	10.555	N/A	<u>355,353</u> ¹
			396,718
Pandemic EBT Administrative Costs	10.649	N/A	1,256
Passed through New York State Office of General Services:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	<u>15,665</u> ¹
Total U.S. Department of Agriculture			<u>413,639</u>
Total Expenditures of Federal Awards			<u>\$ 3,075,435</u>

¹ Total Child Nutrition Cluster - \$412,383

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal award programs administered by Tapestry Charter School (the School), an entity as defined in Note 1 to the School’s financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the SEFA.

Basis of Accounting

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the School’s financial reporting system. The federal expenditures are recorded on the accrual basis.

Indirect Costs

The School does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The School is the recipient of a federal award program that does not result in cash receipts or disbursements, termed “non-monetary program.” During the year ended June 30, 2023, the School used \$15,665 worth of commodities under the National School Lunch Program (Assistance Listing Number 10.555).

INDEPENDENT AUDITORS' 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*

The Board of Trustees
Tapestry Charter School

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 Tapestry Charter School (the School), which comprise the balance sheet 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 20, 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.

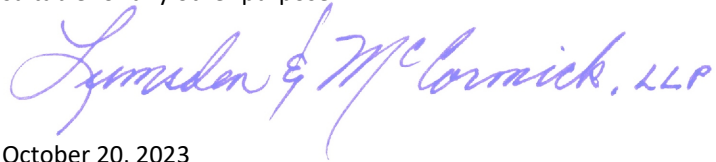
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 20, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
Tapestry Charter School

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tapestry Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the 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.

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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 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.

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 20, 2023

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number	Amount
Education Stabilization Fund	84.425	<u>\$ 2,048,543</u>

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

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

MANAGEMENT LETTER

October 20, 2023

The Board of Trustees and Management
Tapestry Charter School

In planning and performing our audit of the financial statements of Tapestry Charter School (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 auditing 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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

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

This communication is intended solely for the Board of Trustees and management of the School. It is not intended to be, and should not be, used by anyone other than these specified parties.

