

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023
(With Comparative Totals for 2022)



BUSINESS
ADVISORS
AND CPAS

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Atmosphere Academy Public Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atmosphere Academy Public Charter School, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Atmosphere Academy Public Charter School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Atmosphere Academy Public Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note A to the financial statements, during the year ended June 30, 2023, the entity adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Atmosphere Academy Public Charter 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 Atmosphere Academy Public Charter School's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Financial Information

We have previously audited Atmosphere Academy Public Charter School's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023 on our consideration of Atmosphere Academy Public Charter 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Atmosphere Academy Public Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
September 27, 2023

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

<u>ASSETS</u>	June 30,	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 57,756	\$ 82,920
Grants and contract receivables	825,364	231,851
Contributions and other receivables	-	1,086
Prepaid expenses and other current assets	<u>95,636</u>	<u>169,475</u>
TOTAL CURRENT ASSETS	978,756	485,332
 <u>PROPERTY AND EQUIPMENT, net</u>	 3,161,064	 2,514,152
 <u>OTHER ASSETS</u>		
Right-of-use assets - finance	226,735	-
Right-of-use assets - operating	10,646,986	-
Cash in escrow	75,119	75,104
Deposits	<u>472,913</u>	<u>257,913</u>
TOTAL ASSETS	<u>\$ 15,561,573</u>	<u>\$ 3,332,501</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 2,315,897	\$ 1,407,295
Current portion of loans from related parties	229,000	150,000
Current portion of deferred lease incentive	25,507	38,261
Current portion of lease liabilities - operating	2,055,936	-
Current portion of lease liabilities - finance	<u>81,606</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	4,707,946	1,595,556
 <u>OTHER LIABILITIES</u>		
Long-term loans from related party	-	60,000
Deferred lease incentive	-	25,507
Deferred lease liability	-	402,237
Finance lease liabilities, net of current portion	145,129	-
Operating lease liabilities, net of current portion	<u>8,911,559</u>	<u>-</u>
OTHER LIABILITIES	<u>9,056,688</u>	<u>487,744</u>
TOTAL LIABILITIES	<u>13,764,634</u>	<u>2,083,300</u>
 <u>NET ASSETS</u>		
Without donor restrictions	<u>1,796,939</u>	<u>1,249,201</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,561,573</u>	<u>\$ 3,332,501</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 19,206,224	\$ 10,974,603
Students with disabilities	2,294,000	1,526,691
Grants and contracts:		
State and local	50,217	59,242
Federal - Title and IDEA	887,736	725,858
Federal - other	2,588,844	1,742,659
NYC DOE Rental assistance	<u>3,531,701</u>	<u>3,260,917</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	28,558,722	18,289,970
Expenses:		
Program services:		
Regular education	16,481,365	11,246,295
Special education	<u>6,217,935</u>	<u>4,144,401</u>
TOTAL PROGRAM SERVICES	22,699,300	15,390,696
Management and general	<u>5,326,506</u>	<u>2,621,941</u>
TOTAL OPERATING EXPENSES	<u>28,025,806</u>	<u>18,012,637</u>
SURPLUS FROM SCHOOL OPERATIONS	532,916	277,333
Support and other revenue:		
Contributions:		
Individuals	2,792	1,052
Sublease rental income	12,000	12,000
Interest income	<u>30</u>	<u>78</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>14,822</u>	<u>13,130</u>
CHANGE IN NET ASSETS	547,738	290,463
Net assets at beginning of year	<u>1,249,201</u>	<u>958,738</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,796,939</u>	<u>\$ 1,249,201</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

		Year ended June 30,						
		2023						2022
	No. of Positions June 30, 2023	Program Services			Supporting Services			
		Regular Education	Special Education	Sub-total	Management and General	Sub-total	Total	Total
Personnel services costs:								
Administrative staff personnel	40	\$ 2,156,952	\$ 554,098	\$ 2,711,050	\$ 2,805,540	\$ 2,805,540	\$ 5,516,590	\$ 3,122,468
Instructional personnel	100	6,211,454	2,773,082	8,984,536	-	-	8,984,536	5,401,579
Total salaries and wages	140	8,368,406	3,327,180	11,695,586	2,805,540	2,805,540	14,501,126	8,524,047
Fringe benefits and payroll taxes		2,115,628	841,149	2,956,777	709,272	709,272	3,666,049	2,008,725
Retirement		142,304	56,578	198,882	47,708	47,708	246,590	346,926
Legal services		-	-	-	102,715	102,715	102,715	54,854
Accounting/Audit services		-	-	-	34,700	34,700	34,700	32,400
Other Purchased/Professional/Consulting Services		263,150	104,625	367,775	330,409	330,409	698,184	611,284
Building rent		1,483,721	589,910	2,073,631	497,423	497,423	2,571,054	2,425,279
Repairs and maintenance		420,589	167,221	587,810	141,004	141,004	728,814	515,298
Insurance		95,080	37,803	132,883	31,876	31,876	164,759	101,334
Utilities		82,915	32,966	115,881	27,798	27,798	143,679	100,054
Supplies/Materials		473,102	121,535	594,637	-	-	594,637	476,544
Equipment/Furnishings		56,919	17,357	74,276	6,518	6,518	80,794	55,830
Staff development		20,806	5,348	26,154	8	8	26,162	66,365
Marketing/Recruitment		205,949	81,883	287,832	69,045	69,045	356,877	253,056
Technology		270,167	107,415	377,582	126,256	126,256	503,838	253,812
Food service		116,671	29,971	146,642	-	-	146,642	111,673
Student services		1,731,954	444,921	2,176,875	-	-	2,176,875	1,200,686
Office expense		89,028	35,397	124,425	213,530	213,530	337,955	195,139
Depreciation and amortization		507,272	201,685	708,957	170,065	170,065	879,022	611,941
Other		37,704	14,991	52,695	12,639	12,639	65,334	67,390
		\$ 16,481,365	\$ 6,217,935	\$ 22,699,300	\$ 5,326,506	\$ 5,326,506	\$ 28,025,806	\$ 18,012,637

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 547,738	\$ 290,463
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	879,022	611,941
Changes in certain assets and liabilities affecting operations:		
Grants and contract receivables	(593,513)	119,101
Contributions and other receivables	1,086	12,333
Prepaid expenses and other current assets	73,839	(26,976)
Deposits	(215,000)	-
Accounts payable and accrued expenses	844,942	187,867
Deferred lease incentive	(38,261)	63,768
Lease liabilities, net of right-of-use assets	<u>(81,728)</u>	<u>8,021</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,418,125	1,266,518
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(1,462,274)</u>	<u>(1,174,677)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(1,462,274)	(1,174,677)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings from a related parties	629,000	350,000
Repayments to a related parties	<u>(610,000)</u>	<u>(500,000)</u>
NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	<u>19,000</u>	<u>(150,000)</u>
NET DECREASE IN CASH AND RESTRICTED CASH	(25,149)	(58,159)
Cash and restricted cash at beginning of year	<u>158,024</u>	<u>216,183</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 132,875</u>	<u>\$ 158,024</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 11,644</u>	<u>\$ 14,620</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable and accrued expenses	<u>\$ 63,660</u>	<u>\$ 221,981</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Atmosphere Academy Public Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School started as a middle school with the mission of preparing students to be ready for college, career and life. On October 16, 2014 the Board of Trustees of the University of the State of New York (SUNY) granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On January 31, 2020, the Charter School obtained a renewal through July 31, 2025. In May 2021, SUNY approved a revision to the Charter School's charter to open a High School serving grade 9th and 10th in the 2022-2023 school year, and an additional grade each year thereafter until full.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2023 or 2022.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash and restricted cash balances for the years ended June 30, 2023 and 2022 consisted of the following:

	June 30,	
	2023	2022
Cash	\$ 57,756	\$ 82,920
Cash in escrow	75,119	75,104
	<u>\$ 132,875</u>	<u>\$ 158,024</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve.

Revenue and support recognition

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

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2023	2022	2021
Contracts receivable	\$ 245,547	\$ 35,237	\$ 58,425

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was no revenue deferred at either June 30, 2023 or 2022. The Charter School received cost-reimbursement grants of approximately \$80,348 and \$2,536,987 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2023 or 2022.

Pledges receivable

Pledges receivable represent unconditional promises to give. Pledges that are expected to be collected within one year are recorded at their realizable value. Those that are to be collected in future years are recorded at the present value of estimated future collections. There were no pledges receivable at June 30, 2023 or 2022.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Leasehold improvements are being amortized over the term of the lease.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Deferred rent liability

The Charter School leases its facilities. The leases contain pre-determined changes of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis over the lease terms and records the difference between the recognized rental expense and the amounts payable under the leases as a deferred rent liability at June 30, 2022.

Leases

The Charter School leases space in New York City and equipment and determines if an arrangement is a lease at inception. Operating and finance leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the accompanying statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the accompanying statements of financial position.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating and finance lease ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term, and for finance leases, as amortization expense and interest expense.

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

The Charter School received no contributed services for consulting and legal services for the years ended June 30, 2023 and 2022.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2023 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$356,900 and \$253,100 for the years ended June 30, 2023 and 2022, respectively.

Deferred revenue

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

Deposits

Deposits are made up of payments to third parties in connection with facility lease agreements.

Use of estimates in the preparation of financial statements

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

Adoption of new accounting standard - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School adopted ASC 842 with the date of initial application of July 1, 2022.

The Charter recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

As part of the adoption of ASC 842, the Charter School elected practical expedients to account for the existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Charter School recognized on July 1, 2022 operating lease liabilities of \$12,919,505, which represents the present value of the remaining operating lease payments of \$14,152,628, discounted using a weighted average risk-free rate of 2.90%, and the right-of-use asset of \$12,517,268. On July 1, 2022, the Charter School also recognized finance lease liabilities of \$317,918, which represents the present value of the remaining operating lease payments of \$336,690, discounted using a weighted average risk-free rate of 2.86%, and the right-of-use asset of \$317,918.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through September 27, 2023, which is the date the financial statements are available to be issued. See Note J.

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal year 2023 and 2022.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023 and 2022:

	June 30,	
	2023	2022
Cash	\$ 57,756	\$ 82,920
Grants and contract receivables	825,364	231,851
Contributions and other receivables	-	1,086
Total financial assets available to management for general expenditures within one year	<u>\$ 883,120</u>	<u>\$ 315,857</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2023	2022
Furniture and fixtures	\$ 689,940	\$ 616,771
Office and classroom equipment	335,590	283,491
Leasehold improvements	4,167,806	2,895,376
Software	35,994	35,994
Computers and equipment	659,496	510,195
Construction in progress	-	21,065
	5,888,826	4,362,892
Less accumulated depreciation	2,727,762	1,848,740
	<u>\$ 3,161,064</u>	<u>\$ 2,514,152</u>

NOTE D: LEASES

The Charter School currently leases its three facilities from third parties with monthly payments of approximately \$210,000 through June 2029. The leases have various remaining lease terms ranging from 4 to 7 years. The Charter School has three finance leases for office equipment. The leases have various remaining lease terms ranging from 2 to 5 years. Total lease expense for the years ended June 30, 2023 and 2022 was approximately \$2,571,000 and \$2,425,000, respectively.

The Charter School has two sublease agreements for certain facilities for the use of the space during summer months and after school. Sublease rental income for these agreements for both the years ended June 30, 2023 and 2022 approximated \$12,000.

In May 2023, the Charter School entered into a new lease agreement for additional space requiring initial monthly installments of \$242,485, beginning July 2023 through June 2058; this is not included below.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

A summary of operating and finance lease right-of-use assets and liabilities at June 30, 2023 are as follows:

<u>Statement of Financial Position Classification</u>		
<u>Assets</u>		
Finance lease	Other Assets	\$ 226,735
Operating lease	Other Assets	<u>10,646,986</u>
		<u>\$ 10,873,721</u>
<u>Liabilities</u>		
Current:		
Finance lease	Current liabilities	\$ 81,606
Operating lease	Current liabilities	2,055,936
Non-current:		
Finance lease	Other liabilities	145,129
Operating lease	Other liabilities	<u>8,911,559</u>
		<u>\$ 11,194,230</u>

The components of lease expense were as follows:

Finance lease cost:		
Amortization of right-of-use assets		\$ 91,183
Interest on lease liabilities		<u>7,920</u>
	Total finance lease costs	99,103
Operating lease cost		<u>2,301,810</u>
	Total lease cost	<u>\$ 2,400,913</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

As of June 30, 2023, minimum payments due for operating and finance lease liabilities are as follows:

	Finance leases	Operating leases	Total
2024	\$ 86,930	\$ 2,385,476	\$ 2,472,406
2025	62,582	2,408,560	2,471,142
2026	54,965	2,296,060	2,351,025
2027	33,110	1,750,309	1,783,419
2028	-	1,750,309	1,750,309
Thereafter	-	1,260,103	1,260,103
Total lease payments	237,587	11,850,817	12,088,404
Less: Interest	(10,852)	(883,322)	(894,174)
Present value of lease liabilities	<u>\$ 226,735</u>	<u>\$ 10,967,495</u>	<u>\$ 11,194,230</u>

Supplemental Information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows paid for finance leases	\$ 99,103
Operating cash flows paid for operating leases	\$ 2,301,810

Right-of-use assets obtained in exchange for new lease liabilities (non-cash):

Finance leases	\$ 317,918
Operating leases	\$ 12,517,268

Weighted-average remaining lease term:

Finance leases	3.39 years
Operating leases	6.00 years

Weighted-average discount rate:

Finance leases	2.86%
Operating leases	2.90%

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE F: CONCENTRATIONS

At June 30, 2023 and 2022, approximately 100% of grants and contract receivables are due from New York State and federal agencies relating to certain grants.

During the years ended June 30, 2023 and 2022, approximately 88% and 86%, respectively of total revenue, gains, and other support came from per-pupil funding and rental assistance provided by New York State through the New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees are immediately eligible to participate in the Plan. The Plan allows for the Charter School to make a matching contribution to the Plan. The Charter School contributed approximately \$247,000 and \$347,000 to the Plan for the years ended June 30, 2023 and 2022, respectively.

NOTE H: DEFERRED LEASE INCENTIVE

During fiscal 2022, an existing lease for certain office equipment was bought out by a new vendor who provided a cash lease incentive to the Charter School. The deferred lease incentive associated with this buyout will be amortized over the remaining life of the prior lease and is included in deferred lease incentive on the accompanying statement of financial position as of June 30, 2023 and 2022. Approximately \$26,000 is expected to be recognized for the year ending June 30, 2024.

NOTE I: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE J: RELATED PARTY TRANSACTIONS

Loans from related parties is summarized as follows:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Note payable to a Board Trustee in one installment of principal and interest at prime plus 100 basis points, which resets annually (9.25% at June 30, 2023) through July 2023. This loan was repaid in full subsequent to year end.	\$ 100,000	\$ -
Note payable to Atmosphere Foundation in one installment of principal and interest at prime plus 100 basis points, which resets annually (9.25% at June 30, 2023) through July 2023. This loan was repaid in full subsequent to year end.	65,000	-
Note payable to Atmosphere Foundation in one installment of principal and interest at prime plus 100 basis points, which resets annually (9.25% at June 30, 2023) through July 2023. This loan was repaid in full subsequent to year end.	64,000	-
Notes repaid in 2023	<u>-</u>	<u>210,000</u>
	229,000	210,000
Less current portion	<u>229,000</u>	<u>150,000</u>
	<u>\$ -</u>	<u>\$ 60,000</u>

The Charter School also received and repaid a note in the amount of \$400,000 to a Board Trustee during the year ended June 30, 2023.

The Charter School is related to Atmosphere Foundation, Inc. (the "Foundation") through common board representation. There were no contributions from the Foundation for the years ended June 30, 2023 and 2022.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	<u>2023</u>	<u>2022</u>
Undesignated	\$ (1,364,125)	\$ (1,264,951)
Invested in property and equipment	<u>3,161,064</u>	<u>2,514,152</u>
	<u>\$ 1,796,939</u>	<u>\$ 1,249,201</u>

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$2,536,986 and \$1,661,855 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. The Charter School has \$80,348 of Title grants still available through August 31, 2023 as of June 30, 2023.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2023



BUSINESS
ADVISORS
AND CPAS



BUSINESS
ADVISORS
AND CPAS

September 27, 2023

Finance Committee
Atmosphere Academy Public Charter School

We have audited the financial statements of Atmosphere Academy Public Charter School as of and for the year then ended June 30, 2023, and have issued our report thereon dated September 27, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 22, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Atmosphere Academy Public Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

- 1 -

Canandaigua + Elmira + Latham + Queensbury + Rochester
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WE VALUE YOUR FUTURE

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced Board Treasurer who reviews the draft financial statements prior to issuance and accepts responsibility for them.

Significant Risks Identified

We have identified the following significant risks:

- The potential for management override of controls.
- The potential for improper revenue recognition.
- The potential for misappropriation of assets by unauthorized credit card purchases.
- The potential for grants to be improperly tagged with inappropriate expenditures.
- The potential for journal entries lacking support to be made in error or fraud.

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to assess those risks. The identification of a risk does not mean that it has occurred, but rather is has the potential to impact the financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Atmosphere Academy Public Charter School is included in Note A to the financial statements. As described in Note A to the financial statements, during the year, the Charter School adopted new guidance for leases (ASC 842). No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocations of operating expenses to program expenses, management and general expenses, and fundraising expenses and the collectability of grants receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Atmosphere Academy Public Charter School's financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

We are pleased to report we encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no corrected or uncorrected misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Atmosphere Academy Public Charter School's financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Atmosphere Academy Public Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Atmosphere Academy Public Charter School's auditors.

* * * * *

Should you desire further information concerning these matters, Shelby Stenson will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and management of Atmosphere Academy Public Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

BRONX, NEW YORK

SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023



BUSINESS
ADVISORS
AND CPAS

CONTENTS

<u>SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE</u>	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance	5
Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	10



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Atmosphere Academy Public Charter School

We have audited, 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, the financial statements of Atmosphere Academy Public Charter School, which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated September 27, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atmosphere Academy Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
September 27, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Atmosphere Academy Public Charter School

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Atmosphere Academy Public Charter School'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 Atmosphere Academy Public Charter School's major federal programs for the year ended June 30, 2023. Atmosphere Academy Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Atmosphere Academy Public Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Atmosphere Academy Public Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Atmosphere Academy Public Charter 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 Atmosphere Academy Public Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Atmosphere Academy Public Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Atmosphere Academy Public Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Atmosphere Academy Public Charter School as of and for the year ended June 30, 2023, and have issued our report thereon dated September 27, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
September 27, 2023

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 625,244
Title IIA - Supporting Effective Instruction State Grant	84.367	0147	72,017
Title IV - Student Support and Academic Enrichment Program	84.424	0204	25,848
COVID-19 Charter Schools Program	84.282		49,950
 <u>Education Stabilization Funds -</u>			
ESSER II - Elementary and Secondary School Emergency Relief Fund	84.425D	5891	561,518
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	5880	1,961,668
ARP - Homeless Children and Youth (HCY)	84.425W	5218	13,800
<i>Total Education Stabilization Funds</i>			<u>2,536,986</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 3,310,045</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2023

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of Atmosphere Academy Public Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

AL Number:

84.425U

Name of Federal Program or Cluster:

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2023

FINDINGS – FINANCIAL STATEMENT AUDIT

- NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

- NONE