

Forte Preparatory Academy Charter School

Audited Financial Statements

In Accordance with *Government Auditing Standards*

June 30, 2023

Forte Preparatory Academy Charter School

Audited Financial Statements

June 30, 2023

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Independent Auditor's Report

To the Board of Trustees of
Forte Preparatory Academy Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Forte Preparatory Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023, and the changes in 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 ("*Government Auditing Standards*"). 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 the 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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.

Report on Summarized Comparative Information

The financial statements of the School as of and for the year ended June 30, 2022, were audited by other auditors whose report dated October 24, 2022, expressed an unmodified opinion on those statements. 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 statement from which it was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



New York, NY
October 27, 2023

Forte Preparatory Academy Charter School

Statement of Financial Position

At June 30, 2023
(With comparative totals at June 30, 2022)

	<u>6/30/23</u>	<u>6/30/22</u>
ASSETS		
Cash and cash equivalents	\$ 3,458,643	\$ 3,627,219
Government grants receivable - per pupil funding	4,465	-
Government grants receivable - other	531,725	383,963
Contributions receivable	325,000	-
Prepaid expenses and other assets	31,959	9,150
Fixed assets, net	766,091	390,341
Security deposit	962,630	812,630
Operating lease right-of-use asset	27,596,743	-
Restricted cash	75,142	75,127
Total assets	<u>\$ 33,752,398</u>	<u>\$ 5,298,430</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 756,189	\$ 747,044
Government advance - per pupil funding	-	73,666
Government grant advances	1,027	45,731
Deferred rent	-	321,384
Lease liability	28,489,663	-
Total liabilities	<u>29,246,879</u>	<u>1,187,825</u>
Net assets:		
Without donor restrictions	4,382,232	4,102,355
With donor restrictions	123,287	8,250
Total net assets	<u>4,505,519</u>	<u>4,110,605</u>
Total liabilities and net assets	<u>\$ 33,752,398</u>	<u>\$ 5,298,430</u>

The attached notes and auditor's report are an integral part of these financial statements.

Forte Preparatory Academy Charter School

Statement of Activities

For The Year Ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 6/30/23</u>	<u>Total 6/30/22</u>
PUBLIC SUPPORT AND REVENUE				
Public school district revenue:				
Revenue - resident student enrollment	\$ 6,126,093	\$ -	\$ 6,126,093	\$ 5,948,526
Revenue - students with disabilities	<u>1,058,953</u>	<u>-</u>	<u>1,058,953</u>	<u>1,163,369</u>
Total public school district revenue	7,185,046	-	7,185,046	7,111,895
 Government grants - other	 2,251,938	 -	 2,251,938	 2,245,632
Contributions	575,478	550,000	1,125,478	207,411
Other revenue	47,812	-	47,812	1,526
Net assets released from donor restrictions	<u>434,963</u>	<u>(434,963)</u>	<u>-</u>	<u>-</u>
 Total public support and revenue	 <u>10,495,237</u>	 <u>115,037</u>	 <u>10,610,274</u>	 <u>9,566,464</u>
 EXPENSES				
Program services:				
Regular education	6,255,770	-	6,255,770	5,427,487
Special education	<u>2,355,985</u>	<u>-</u>	<u>2,355,985</u>	<u>2,042,557</u>
Total program services	8,611,755	-	8,611,755	7,470,044
 Supporting services				
Management and general	1,545,358		1,545,358	1,354,587
Fundraising	<u>58,247</u>	<u>-</u>	<u>58,247</u>	<u>34,837</u>
Total supporting services	1,603,605	-	1,603,605	1,389,424
 Total expenses	<u>10,215,360</u>	<u>-</u>	<u>10,215,360</u>	<u>8,859,468</u>
 Change in net assets	 279,877	 115,037	 394,914	 706,996
 NET ASSETS, <i>beginning of year</i>	 <u>4,102,355</u>	 <u>8,250</u>	 <u>4,110,605</u>	 <u>3,403,609</u>
 NET ASSETS, <i>end of year</i>	 <u>\$ 4,382,232</u>	 <u>\$ 123,287</u>	 <u>\$ 4,505,519</u>	 <u>\$ 4,110,605</u>

The attached notes and auditor's report are an integral part of these financial statements.

Forte Preparatory Academy Charter School

Statement of Functional Expenses

For The Year Ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	Program Services			Supporting Services			Total Expenses 6/30/2023	Total Expenses 6/30/2022
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Support Services		
Salaries	\$ 2,959,165	\$ 1,296,191	\$ 4,255,356	\$ 610,175	\$ 36,089	\$ 646,264	\$ 4,901,620	\$ 4,216,775
Payroll taxes and benefits	569,721	249,553	819,274	117,476	6,948	124,424	943,698	871,929
Total personnel costs	3,528,886	1,545,744	5,074,630	727,651	43,037	770,688	5,845,318	5,088,704
Curriculum and classroom expenses	254,322	73,772	328,094	-	-	-	328,094	239,624
Student food	155,388	45,073	200,461	-	-	-	200,461	242,983
Professional fees	4,415	1,281	5,696	579,294	13,623	592,917	598,613	555,342
Office expenses	124,298	50,477	174,775	27,840	1,189	29,029	203,804	260,533
Equipment	16,892	4,900	21,792	55,713	-	55,713	77,505	73,509
Facilities expense	1,805,040	523,590	2,328,630	72,019	-	72,019	2,400,649	1,907,735
Recruitment	59,731	17,326	77,057	-	-	-	77,057	28,371
Professional development	110,551	32,068	142,619	-	-	-	142,619	117,578
Insurance	32,634	14,295	46,929	6,729	398	7,127	54,056	56,077
Other expenses	-	-	-	69,584	-	69,584	69,584	65,624
Depreciation and amortization	163,613	47,459	211,072	6,528	-	6,528	217,600	223,388
Total expenses	\$ 6,255,770	\$ 2,355,985	\$ 8,611,755	\$ 1,545,358	\$ 58,247	\$ 1,603,605	\$ 10,215,360	\$ 8,859,468

The attached notes and auditor's report are an integral part of these financial statements.

Forte Preparatory Academy Charter School

Statement of Cash Flows

For The Year Ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	<u>6/30/23</u>	<u>6/30/22</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 394,914	\$ 706,996
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	217,600	223,388
Reduction in the carrying amount of the right-of-use assets - operating leases	1,570,626	
Changes in assets and liabilities:		
Government grants receivable - per pupil funding	(4,465)	-
Government grants receivable - other	(147,762)	(213,686)
Contributions receivable	(325,000)	-
Prepaid expenses and other assets	(22,809)	164,526
Security deposit	(150,000)	(5,000)
Lease liability	(677,706)	-
Accounts payable and accrued expenses	9,145	245,205
Government advance - per pupil funding	(73,666)	62,460
Government grant advances	(44,704)	45,731
Deferred rent	(321,384)	124,401
Total adjustments	<u>29,875</u>	<u>647,025</u>
Net cash flows provided by operating activities	<u>424,789</u>	<u>1,354,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(593,350)</u>	<u>(270,559)</u>
Net cash flows used for investing activities	<u>(593,350)</u>	<u>(270,559)</u>
Net (decrease)/increase in cash, cash equivalents and restricted cash	(168,561)	1,083,462
Cash, cash equivalents and restricted cash, <i>beginning of year</i>	<u>3,702,346</u>	<u>2,618,884</u>
Cash, cash equivalents and restricted cash, <i>end of year</i>	<u>\$ 3,533,785</u>	<u>\$ 3,702,346</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 3,458,643	\$ 3,627,219
Restricted cash	75,142	75,127
Total cash, cash equivalent and restricted cash	<u>\$ 3,533,785</u>	<u>\$ 3,702,346</u>

No taxes or interest were paid.

The attached notes and auditor's report are an integral part of these financial statements.

Forte Preparatory Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 1 - Organization

Forte Preparatory Academy Charter School (the "School") located in Queens, New York, is a not-for-profit education corporation chartered by The State University of New York Charter Schools Institute. Through rigorous academics, quality instruction, and a positive culture of individual and collective responsibility, the School equips all students in grades 5 through 8 to excel in college preparatory high schools and use their leadership and voice to change the world. The School completed the 2022-2023 fiscal year with an average enrollment of approximately 350 students. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education ("NYCDOE"). On October 11, 2016, the School was granted a provisional charter for a term up to and including June 30, 2022. In March 2022, the School's charter was renewed for an additional 5-year term, up to and including June 30, 2027. The charter renewal authorized the School to expand into a high school. The first class of high school students commenced in September 2023.

The School has the following programs:

- Regular Education - builds the foundation of knowledge, skills, and competencies for a substantive undergraduate academic experience, a successful career, and a productive lifetime.
- Special Education - Instruction that is specially designed to meet the unique needs of children with disabilities.

The School's main source of revenue is public school district revenue and government grants.

The School has been notified by the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. They have not been designated as a private foundation.

The School is affiliated with Friends of Forte ("Friends") through the use of shared members of their respective Board of Directors. Friends has been established to support the School and function as the fundraising arm of the School. As of the issuance of these financial statements, Friends has submitted its application to the Internal Revenue Service to become a Section 501(c)(3) tax exempt entity. Friends does not meet the criteria for consolidation. There were no related party transactions with Friends during the years ended June 30, 2023 or 2022.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Forte Preparatory Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

b. Recently Adopted Accounting Standards

Effective July 1, 2022, the School adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The School elected transition relief that allows entities, in the period of adoption, to present the current period under FASB's Accounting Standards Codification ("ASC") 842 and the comparative period under FASB ASC 840. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing FASB ASU No. 2016-02, the School recognized right-of-use ("ROU") assets of \$28,845,985 and lease liabilities of \$29,167,370 on the statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

c. Basis of Presentation

The School reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* - represents all activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* - represents those resources, the uses of which have been restricted by donors for a specific purpose or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. Donor restricted contributions, the requirements of which are met in the year of donation, are reported as net assets without donor restrictions. See Note 6.

d. Revenue Recognition

The School follows FASB ASC 958-605 for recording contributions, which are recognized at the time they become unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met. Conditional pledges that have not been recognized amount to \$630,000 and \$529,290 for the years ended June 30, 2023 and 2022, respectively.

Forte Preparatory Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies – Continued

d. Revenue Recognition - Continued

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions and fall under FASB ASC 958-605. Revenue from these transactions is recognized when performance related outcomes are achieved and other conditions under the agreements are met.

The School records grants as revenue in the period they become unconditional. Contributions and grants that are due within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Pledges are reviewed for collectability. Based on knowledge of specific donors and funders and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2023 and 2022.

e. Cash and Cash Equivalents

Checking and money market accounts with local banks and highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows.

An escrow account has been established to meet the requirement of The State University of New York Charter Schools Institute. The purpose of this account is to ensure sufficient funds are available for an orderly dissolution or transition process in the event of termination of the charter or school closure.

f. Concentration of Credit Risk

Financial instruments, which potentially subject the School to a concentration of credit risk, consist of cash accounts, which have been placed with financial institutions that management deems to be creditworthy. At year end and at various times throughout the year, balances were in excess of insured amounts. However, the School has not experienced any losses due to bank failure.

g. Capitalization Policy

Computer hardware, furniture, equipment, and leasehold improvements are capitalized at cost or at the fair value at the date of gift, if donated. The School capitalizes fixed assets in excess of \$5,000 that have a useful life of more than one year. Depreciation and amortization were computed using the straight-line method over the estimated useful life of the respective assets as follows:

Computers and equipment - 3 years

Furniture and fixtures - 5 years

Leasehold improvements - Life of lease

Forte Preparatory Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

h. Leases

The School determines if an arrangement is or contains a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The School does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option.

i. Advertising

The cost of advertising is expensed as incurred.

j. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided in-kind. The school did not receive any donated goods or services during the years ended June 30, 2023 and 2022.

Board members and other individuals volunteer their time and perform a variety of services that assist the School. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Salaries were allocated using time and effort as the basis. The following costs were allocated using salary allocation as the basis:

- Payroll taxes and benefits
- Office expenses
- Insurance

Certain program expenses have been allocated between Regular Education and Special Education based on student FTE rates. Depreciation and facilities expenses are allocated according to usage by square foot. All other expenses have been charged directly to the applicable program or supporting services.

Forte Preparatory Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

l. Management 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

m. Contingencies

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.

n. Accounting for Uncertainty of Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2020 and later are subject to examination by applicable taxing authorities.

o. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2022 from which the summarized information was derived.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/23</u>	<u>6/30/22</u>
Furniture and equipment	\$ 1,440,043	\$ 955,199
Leasehold improvements	114,406	37,550
Construction in progress	31,650	-
Total	<u>1,586,099</u>	<u>992,749</u>
Less: accumulated depreciation	<u>(820,008)</u>	<u>(602,408)</u>
Total fixed assets, net	<u>\$ 766,091</u>	<u>\$ 390,341</u>

Forte Preparatory Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 4 – Government Grants Receivable/Advance – Per Pupil Funding

	<u>6/30/23</u>	<u>6/30/22</u>
Beginning grant advance	\$ (73,666)	\$ (11,206)
Per pupil funding:		
Funding based on allowable FTE's	7,185,046	7,111,895
Advances received	<u>(7,106,915)</u>	<u>(7,174,355)</u>
Ending grant advance	<u>\$ 4,465</u>	<u>\$ (73,666)</u>

Note 5 - Operating Lease Right-of-Use Assets and Operating Lease Liabilities

The School evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the School's right to use underlying assets for the lease term, and the lease liabilities represent the School's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The School has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities and the weighted average lease term as of June 30, 2023 was 3.35% and 17.08 years.

The School occupies space in Queens under a lease agreement that expires on June 30, 2030. The lease contains two five-year extension options, which are expected to be exercised bringing the expiration to June 30, 2040.

For the year ended June 30, 2023, total operating lease cost was \$2,211,428. There were no short-term lease costs during the year ended June, 30, 2023.

Cash paid for operating leases for the year ended June 30, 2023 was \$1,639,892. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2b.

On April 27, 2023, the School entered into a lease agreement for additional space for the new high school program opening up in the fall of 2023. The lease expires on June 30, 2025 and has two one-year extension options which are expected to be exercised. The lease commences on July 1, 2023 which is when the asset and liability become recognizable. Since the lease was entered into before year end, the future commitments are included below:

Forte Preparatory Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 5 - Operating Lease Right-of-Use Assets and Operating Lease Liabilities - Continued

The aggregate future minimum lease payments under these operating leases as of June 30, 2023 are as follows:

	<u>Main Campus</u>	<u>High School</u>	<u>Total</u>
For the years ending June 30,			
2024	\$ 1,670,105	\$ 600,000	\$ 2,270,105
2025	1,718,392	1,200,000	2,918,392
2026	1,768,102	1,230,000	2,998,102
2027	1,819,240	1,291,500	3,110,740
2028	1,872,129	-	1,872,129
2029 and thereafter	31,511,351	-	31,511,351
Total lease payments	40,359,319	4,321,500	44,680,819
Less: present value discount at 3.35%	(11,869,656)	-	(11,869,656)
Total	<u>\$ 28,489,663</u>	<u>\$ 4,321,500</u>	<u>\$ 32,811,163</u>

Note 6 - Net Assets with Donor Restrictions

A summary of net assets with donor restrictions is as follows:

	<u>June 30, 2023</u>		
	Beginning Balance 7/1/22	Restricted Contributions	Released from Restrictions
Emergency assistance	\$ 8,250	\$ -	\$ (8,250)
High School Expansion	-	450,000	(426,713)
Afterschool program	-	100,000	-
Total	<u>\$ 8,250</u>	<u>\$ 550,000</u>	<u>\$ (434,963)</u>

	<u>June 30, 2022</u>		
	Beginning Balance 7/1/21	Restricted Contributions	Released from Restrictions
Emergency assistance	<u>\$16,500</u>	<u>\$ -</u>	<u>\$ (8,250)</u>

Note 7 - Significant Concentrations

The School is dependent upon grants from the NYCDOE to carry out its operations. Approximately 86% and 89% of the School's total public support and revenue was from the NYCDOE for the years ended June 30, 2023 and 2022, respectively. If the NYCDOE were to discontinue funding, it would have a severe economic impact on the School's ability to operate.

Forte Preparatory Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 8 - Retirement Plan

The School has a retirement plan under Section 403(b) of the Internal Revenue Code. All employees are immediately eligible to participate and may elect to defer a portion of their salary, up to statutory amounts, to be contributed to this plan. Full time employees receive an employer base contribution equal to 100% of the salary deferral contributions made by the employee for the calendar year, not to exceed 3% of the employee's salary.

The School contributed \$58,687 and \$38,299 for the years ended June 30, 2023 and 2022, respectively. The following vesting periods apply:

Period	Vesting Percentage
Less than 2 years	0%
Three or more	100%

Note 9 - Availability and Liquidity

Financial assets are available within one year of the date of the statement of financial position for general expenditures as follows:

Cash and cash equivalents	\$ 3,458,643
Government grants receivable - per pupil funding	4,465
Government grants receivable - other	531,725
Total financial assets	<u>3,994,833</u>

Less amounts not available for general expenditure:

Amounts included as financial assets that are restricted for future programs and periods	<u>(123,287)</u>
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Financial assets available to meet cash needs for general expenditures within one year

\$ 3,871,546

There are no external or internal limits imposed on the remaining balance of financial assets available to meet cash needs for general expenditures within one year. As part of its liquidity management, the School operates its programs within a board approved budget and relies on grants and contributions to fund its operations and program activities.

Note 10 - Subsequent Events

Subsequent events have been evaluated through October 27, 2023, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.



**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

To the Board of Trustees of
Forte Preparatory Academy 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 Forte Preparatory Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 27, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Sax CPAs LLP

New York, NY
October 27, 2023

Forte Preparatory Academy Charter School

Schedule of Findings and Questioned Costs

June 30, 2023

Current Year:

None

Prior Year:

None - There were no findings in the prior year.