

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY GOVERNMENT
AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2025
(With Comparative Totals for 2024)



BUSINESS
ADVISORS
AND CPAS

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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, 2025, 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, 2025, 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.

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, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 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 30, 2025 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 30, 2025

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

(With Comparative Totals for 2024)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 126,483	\$ 8,073
Grants and contracts receivables	281,636	354,102
Contributions and other receivables	1,147,666	1,160,737
Prepaid expenses and other current assets	<u>76,776</u>	<u>38,144</u>
TOTAL CURRENT ASSETS	1,632,561	1,561,056
<u>PROPERTY AND EQUIPMENT, net</u>	2,716,856	3,407,772
<u>OTHER ASSETS</u>		
Right-of-use assets - finance	649,726	149,434
Right-of-use assets - operating	31,937,442	25,611,792
Cash in escrow	75,145	75,134
Deposits	<u>272,913</u>	<u>272,913</u>
TOTAL ASSETS	<u>\$ 37,284,643</u>	<u>\$ 31,078,101</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 3,282,324	\$ 2,741,703
Current portion of loans from related parties	1,400,000	750,000
Short term note payable	588,000	-
Current portion of lease liabilities - operating	6,130,706	4,387,643
Current portion of lease liabilities - finance	<u>178,617</u>	<u>60,667</u>
TOTAL CURRENT LIABILITIES	11,579,647	7,940,013
<u>OTHER LIABILITIES</u>		
Finance lease liabilities, net of current portion	471,109	88,767
Operating lease liabilities, net of current portion	<u>22,164,437</u>	<u>20,310,316</u>
OTHER LIABILITIES	<u>22,635,546</u>	<u>20,399,083</u>
TOTAL LIABILITIES	<u>34,215,193</u>	<u>28,339,096</u>
<u>NET ASSETS</u>		
Without donor restrictions	<u>3,069,450</u>	<u>2,739,005</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,284,643</u>	<u>\$ 31,078,101</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, 2025
(With Comparative Totals for 2024)

	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 27,803,790	\$ 24,221,138
Students with disabilities	2,515,158	2,677,285
Grants and contracts:		
State and local	49,889	86,685
Federal - Title and IDEA	1,532,950	1,410,525
NYC DOE Rental assistance	8,106,648	4,556,985
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>40,008,435</u>	<u>32,952,618</u>
Expenses:		
Program services:		
Regular education	24,673,240	19,863,107
Special education	8,135,610	6,499,321
TOTAL PROGRAM SERVICES	<u>32,808,850</u>	<u>26,362,428</u>
Management and general	6,974,697	7,080,306
TOTAL OPERATING EXPENSES	<u>39,783,547</u>	<u>33,442,734</u>
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	224,888	(490,116)
Support and other revenue:		
Contributions:		
Individuals	44,133	15,325
Foundations	-	217,000
Employee Retention Credit	-	1,146,160
Fundraising	44,148	33,315
Other	2,264	2,136
Sublease rental income	15,000	15,000
Interest income	12	3,246
TOTAL SUPPORT AND OTHER REVENUE	<u>105,557</u>	<u>1,432,182</u>
CHANGE IN NET ASSETS	330,445	942,066
Net assets at beginning of year	<u>2,739,005</u>	<u>1,796,939</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,069,450</u>	<u>\$ 2,739,005</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, 2025
(With Comparative Totals for 2024)

	No. of Positions June 30, 2025	Year ended June 30,						2024
		2025			2024			
		Program Services			Supporting Services			
	Regular Education	Special Education	Sub-total	Management and General	Sub-total	Total	Total	
Personnel services costs:								
Administrative staff personnel	49	\$ 2,952,409	\$ 676,333	\$ 3,628,742	\$ 3,424,744	\$ 3,424,744	\$ 7,053,486	\$ 7,439,864
Instructional personnel	136	10,011,510	3,701,940	13,713,450	-	-	13,713,450	10,734,609
Total salaries and wages	185	12,963,919	4,378,273	17,342,192	3,424,744	3,424,744	20,766,936	18,174,473
Fringe benefits and payroll taxes		3,128,623	1,056,622	4,185,245	826,504	826,504	5,011,749	4,318,366
Retirement		147,030	49,656	196,686	38,842	38,842	235,528	72,475
Legal services		-	-	-	175,418	175,418	175,418	59,780
Accounting/Audit services		-	-	-	27,200	27,200	27,200	36,200
Other Purchased/Professional/Consulting Services		422,236	142,601	564,837	431,247	431,247	996,084	1,019,328
Building rent		3,764,495	1,271,374	5,035,869	994,486	994,486	6,030,355	3,274,806
Repairs and maintenance		562,661	190,026	752,687	148,641	148,641	901,328	914,227
Insurance		263,089	88,852	351,941	69,502	69,502	421,443	329,537
Utilities		131,842	44,527	176,369	34,829	34,829	211,198	212,201
Supplies/Materials		455,773	104,408	560,181	-	-	560,181	366,411
Equipment/Furnishings		64,372	17,164	81,536	5,879	5,879	87,415	76,955
Staff development		28,460	6,520	34,980	-	-	34,980	10,378
Marketing/Recruitment		77,487	26,170	103,657	20,470	20,470	124,127	239,813
Technology		397,435	134,225	531,660	179,026	179,026	710,686	524,878
Food service		115,082	26,363	141,445	-	-	141,445	151,839
Student services		1,173,665	268,861	1,442,526	-	-	1,442,526	2,119,360
Office expense		116,844	39,461	156,305	367,981	367,981	524,286	400,138
Depreciation and amortization		811,468	274,055	1,085,523	214,370	214,370	1,299,893	1,128,545
Other		48,759	16,452	65,211	15,558	15,558	80,769	13,024
		<u>\$ 24,673,240</u>	<u>\$ 8,135,610</u>	<u>\$ 32,808,850</u>	<u>\$ 6,974,697</u>	<u>\$ 6,974,697</u>	<u>\$ 39,783,547</u>	<u>\$ 33,442,734</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025
(With Comparative Totals for 2024)

	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 330,445	\$ 942,066
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation and amortization	1,299,893	1,128,545
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivables	72,466	471,262
Contributions and other receivables	13,071	(1,160,737)
Prepaid expenses and other current assets	(38,632)	57,492
Deposits	-	200,000
Accounts payable and accrued expenses	502,135	(11,885)
Deferred lease incentive	-	(25,507)
Lease liabilities, net of right-of-use assets	<u>(2,728,466)</u>	<u>(1,234,342)</u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(549,088)	366,894
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(570,491)</u>	<u>(937,562)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(570,491)	(937,562)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings from related parties	5,356,000	2,350,000
Repayments to related parties	(4,706,000)	(1,829,000)
Borrowings on short term note payable	1,617,000	-
Repayments on short term note payable	<u>(1,029,000)</u>	<u>-</u>
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>1,238,000</u>	<u>521,000</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	118,421	(49,668)
Cash and restricted cash at beginning of year	<u>83,207</u>	<u>132,875</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 201,628</u>	<u>\$ 83,207</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 43,457</u>	<u>\$ 14,566</u>
<u>NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable and accrued expenses	<u>\$ 38,486</u>	<u>\$ 437,691</u>
Borrowings from related parties converted to a contribution	<u>\$ -</u>	<u>\$ 217,000</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

(With Comparative Totals for 2024)

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. On February 13, 2025, the Charter School obtained a renewal through July 31, 2030. During the year ended June 30, 2025, the Charter School served grades 6-12.

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 those 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, 2025 or 2024.

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.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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

Cash and restricted cash balances for the years ended June 30, 2025 and 2024 consisted of the following:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash	\$ 126,483	\$ 8,073
Cash in escrow	<u>75,145</u>	<u>75,134</u>
	<u>\$ 201,628</u>	<u>\$ 83,207</u>

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.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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

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,		
	2025	2024	2023
Contracts receivable	\$ 155,588	\$ 115,567	\$ 245,547

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, 2025 or 2024.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. At each fiscal year end, the Charter School evaluates the need for an expected allowance for credit losses for all outstanding balances that fall under ASU 2014-09. As necessary, the allowance for credit losses is updated at fiscal year end to reflect any changes in credit risk since the receivable was initially recorded. The allowance for credit losses is calculated on a pooled basis where similar risk characteristics exist.

The Charter School uses historical loss data as a starting point to estimate expected credit losses, given consistent revenue sources since its inception. There were no write-offs for the years ended June 30, 2025 and 2024.

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, 2025 or 2024.

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.

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.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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

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, 2025 and 2024.

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 Charter School’s current and prior three years tax returns remain subject to review by taxing authorities. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$124,100 and \$239,800 for the years ended June 30, 2025 and 2024, 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.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through September 30, 2025, which is the date the financial statements are available to be issued. See Notes I and J.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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 2025 and 2024.

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, 2025 and 2024:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash	\$ 126,483	\$ 8,073
Grants and contracts receivables	281,636	354,102
Contributions and other receivables	<u>1,147,666</u>	<u>1,160,737</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,555,785</u>	<u>\$ 1,522,912</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Furniture and fixtures	\$ 994,823	\$ 958,222
Office and classroom equipment	461,023	433,319
Leasehold improvements	5,159,541	4,855,111
Software	63,335	48,794
Computers and equipment	<u>1,194,334</u>	<u>968,633</u>
	7,873,056	7,264,079
Less accumulated depreciation	<u>5,156,200</u>	<u>3,856,307</u>
	<u>\$ 2,716,856</u>	<u>\$ 3,407,772</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE D: LEASES

The Charter School currently leases its five facilities from third parties with current monthly payments of approximately \$754,000 through June 2055. The leases have various remaining lease terms ranging from 1 to 30 years. The Charter School has five finance leases for office equipment with current monthly payments of approximately \$17,000 through December 2029. The leases have various remaining lease terms ranging from 1 to 5 years. Total lease expense for the years ended June 30, 2025 and 2024 was approximately \$6,030,000 and \$3,275,000, 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, 2025 and 2024 approximated \$15,000.

A summary of operating and finance lease right-of-use assets and liabilities are as follows:

		June 30,	
<u>Statement of Financial Position Classification</u>		<u>2025</u>	<u>2024</u>
<u>Assets</u>			
Finance lease	Other Assets	\$ 649,726	\$ 149,434
Operating lease	Other Assets	<u>31,937,442</u>	<u>25,611,792</u>
		<u>\$ 32,587,168</u>	<u>\$ 25,761,226</u>
<u>Liabilities</u>			
Current:			
Finance lease	Current liabilities	\$ 178,617	\$ 60,667
Operating lease	Current liabilities	6,130,706	4,387,643
Non-current:			
Finance lease	Other liabilities	471,109	88,767
Operating lease	Other liabilities	<u>22,164,437</u>	<u>20,310,316</u>
		<u>\$ 28,944,869</u>	<u>\$ 24,847,393</u>

The components of lease expense were as follows:

		June 30,	
		<u>2025</u>	<u>2024</u>
Finance lease cost:			
	Amortization of right-of-use assets	\$ 151,081	\$ 173,517
	Interest on lease liabilities	<u>22,644</u>	<u>13,498</u>
	Total finance lease costs	173,725	187,015
Operating lease cost			
		<u>5,754,164</u>	<u>4,449,265</u>
	Total lease cost	<u>\$ 5,927,889</u>	<u>\$ 4,636,280</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE D: LEASES, Cont'd

As of June 30, 2025, minimum payments due for operating and finance lease liabilities are as follows:

	<u>Finance leases</u>	<u>Operating leases</u>	<u>Total</u>
2026	\$ 201,130	\$ 7,081,431	\$ 7,282,561
2027	179,011	4,773,266	4,952,277
2028	144,581	4,782,454	4,927,035
2029	144,581	2,325,612	2,470,193
2030	34,279	653,196	687,475
Thereafter	<u>-</u>	<u>20,926,013</u>	<u>20,926,013</u>
Total lease payments	703,582	40,541,972	41,245,554
Less: Interest	<u>(53,856)</u>	<u>(12,246,829)</u>	<u>(12,300,685)</u>
Present value of lease liabilities	<u>\$ 649,726</u>	<u>\$ 28,295,143</u>	<u>\$ 28,944,869</u>

Supplemental Information:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for finance leases	\$ 173,725	\$ 187,015
Operating cash flows paid for operating leases	\$ 5,754,164	\$ 4,449,265
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Finance leases	\$ 651,373	\$ -
Operating leases	\$ 10,727,072	\$ 17,066,003
Weighted-average remaining lease term:		
Finance leases	3.89 years	2.17 years
Operating leases	16.09 years	21.39 years
Weighted-average discount rate:		
Finance leases	3.91%	2.86%
Operating leases	3.85%	3.86%

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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, 2025 and 2024, 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, 2025 and 2024, approximately 96% and 91%, 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 \$236,000 and \$72,000 to the Plan for the years ended June 30, 2025 and 2024, respectively.

NOTE H: 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, 2025

(With Comparative Totals for 2024)

NOTE I: RELATED PARTY TRANSACTIONS

Loans from related parties is summarized as follows:

	June 30,	
	2025	2024
Note payable to a Board Trustee in one installment of principal and interest at prime plus 100 basis points, which resets annually (8.50% at June 30, 2025) through July 2025. This loan was repaid in full subsequent to year end.	\$ 850,000	\$ -
Note payable to a Board Trustee in one installment of principal and interest at prime plus 100 basis points, which resets annually (8.50% at June 30, 2025) through July 2025. This loan was repaid in full subsequent to year end.	550,000	-
Notes repaid in 2025	-	750,000
	1,400,000	750,000
Less current portion	1,400,000	750,000
	\$ -	\$ -

The Charter School also received and repaid various notes in the amount of \$3,950,000 to a Board Trustee during the year ended June 30, 2025.

The Charter School is related to Atmosphere Foundation, Inc. (the "Foundation") through common board representation. There were no contributions from the Foundation for the year ended June 30, 2025. There were contributions totaling \$217,000 from the Foundation for the year ended June 30, 2024.

NOTE J: SHORT TERM NOTE PAYABLE

Note payable from a third party is summarized as follows:

	June 30,	
	2025	2024
Note payable to third party in one installment due in July 2025, with a fee of 2%. This loan was repaid in full subsequent to year end.	\$ 588,000	\$ -
Less current portion	588,000	-
	\$ -	\$ -

The Charter School also received and repaid various notes in the amount of \$1,029,000 to this third party during the year ended June 30, 2025.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	<u>2025</u>	<u>2024</u>
Undesignated	\$ 352,594	\$ (668,767)
Invested in property and equipment	<u>2,716,856</u>	<u>3,407,772</u>
	<u>\$ 3,069,450</u>	<u>\$ 2,739,005</u>

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In March, 2020, the CARES Act was enacted. Under the CARES Act, the Employee Retention Credit (“ERC”), a refundable wage-related tax credit, was made available to eligible employers. The Charter School recognized a net benefit of approximately \$1,146,160 recorded as other revenue related to this credit during the year ended June 30, 2024. The Charter School has not received this payment as of June 30, 2025 and it is included in contributions and other receivables in the accompanying statement of financial position. There is also approximately \$75,000 and \$114,000 of expenses for the use of a consultant to calculate this credit included in accounts payable at June 30, 2025 and 2024, respectively.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



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, 2025 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 30, 2025.

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, Baw & Co. LLP

Rochester, New York
September 30, 2025