

**Elm Community Charter School**

Audited Financial Statements

In Accordance with *Government Auditing Standards*

June 30, 2025

# Elm Community Charter School

## Audited Financial Statements

June 30, 2025

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## Independent Auditor's Report

To the Board of Trustees of  
Elm Community Charter School

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Elm Community Charter School (the "School"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the 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 ("*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 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**

We have previously audited the School's financial statements for the year ended June 30, 2024, and we expressed an unmodified opinion on those statements in our report dated October 28, 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 statement from which it was derived.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* for the year ended June 30, 2025, we have also issued our report dated October 30, 2025, 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.

*Sax LLP*

New York, NY  
October 30, 2025

# Elm Community Charter School

## Statement of Financial Position

At June 30, 2025  
(With comparative totals at June 30, 2024)

|  | June 30,             |                      |
|--|----------------------|----------------------|
|  | 2025                 | 2024                 |
| <b>Assets</b>  |                      |                      |
| Cash and cash equivalents                                      | \$ 4,028,055         | \$ 2,992,282         |
| Government grants receivable - per pupil                       | 14,175               | 23,915               |
| Government grants receivable - New York City rental assistance | -                    | 300,080              |
| Government grants receivable - other                           | 170,899              | 451,134              |
| Prepaid expenses and other assets                              | 1,427                | 123,436              |
| Security deposit   | 259,800              | 259,800              |
| Property and equipment, net                                    | 390,988              | 534,462              |
| Right of use asset   | 56,794,453           | 58,734,614           |
| Restricted cash  | 100,066              | 75,047               |
| <b>Total assets</b>  | <b>\$ 61,759,863</b> | <b>\$ 63,494,770</b> |
| <b>Liabilities and Net Assets</b>                              |                      |                      |
| <b>Liabilities:</b>  |                      |                      |
| Accounts payable and accrued expenses                          | \$ 488,601           | \$ 470,746           |
| Government grant advances                                      | 26,465               | 22,069               |
| Lease liability  | 62,055,627           | 62,389,793           |
| <b>Total liabilities</b>                                       | <b>62,570,693</b>    | <b>62,882,608</b>    |
| <b>Net assets:</b>   |                      |                      |
| Net assets without donor restrictions                          | (810,830)            | 612,162              |
| Total net assets   | (810,830)            | 612,162              |
| <b>Total liabilities and net assets</b>                        | <b>\$ 61,759,863</b> | <b>\$ 63,494,770</b> |

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

# Elm Community Charter School

## Statement of Activities

For the Year Ended June 30, 2025  
(With comparative totals for the year ended June 30, 2024)

|  | June 30,            |                    |
|--|---------------------|--------------------|
|  | 2025                | 2024               |
| <b>Without Donor Restrictions:</b>           |                     |                    |
| <b>Public support and revenue:</b>           |                     |                    |
| Public school district revenue:              |                     |                    |
| Resident student enrollment                  | \$ 8,718,493        | \$ 8,034,802       |
| Students with special education services     | 1,118,572           | 985,746            |
| <b>Total public school district revenue</b>  | <b>9,837,065</b>    | <b>9,020,548</b>   |
| Government grants:                           |                     |                    |
| New York City rental assistance              | 2,371,513           | 2,308,281          |
| Other government grants                      | 487,546             | 815,175            |
| Contributions                                | 39,816              | 2,130              |
| Other income                                 | 18,343              | 4,408              |
| <b>Total public support and revenue</b>      | <b>12,754,283</b>   | <b>12,150,542</b>  |
| <b>Expenses:</b>                             |                     |                    |
| Program services:                            |                     |                    |
| Regular education                            | 10,702,677          | 11,278,901         |
| Special education                            | 1,353,586           | 1,235,408          |
| <b>Total program services</b>                | <b>12,056,263</b>   | <b>12,514,309</b>  |
| Supporting services - management and general | 2,121,012           | 1,072,465          |
| <b>Total expenses</b>                        | <b>14,177,275</b>   | <b>13,586,774</b>  |
| <b>Change in net assets</b>                  | <b>(1,422,992)</b>  | <b>(1,436,232)</b> |
| <b>NET ASSETS, <i>beginning of year</i></b>  | <b>612,162</b>      | <b>2,048,394</b>   |
| <b>NET ASSETS, <i>end of year</i></b>        | <b>\$ (810,830)</b> | <b>\$ 612,162</b>  |

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

# Elm Community Charter School

## Statement of Functional Expenses

For the Year Ended June 30, 2025  
(With comparative totals for the year ended June 30, 2024)

|                                   | <u>Program Services</u>     |                            |                               | <u>Supporting Services</u>    | <u>Total Expenses<br/>6/30/25</u> | <u>Total Expenses<br/>6/30/24</u> |
|-----------------------------------|-----------------------------|----------------------------|-------------------------------|-------------------------------|-----------------------------------|-----------------------------------|
|                                   | <u>Regular Education</u>    | <u>Special Education</u>   | <u>Total Program Services</u> | <u>Management and General</u> |                                   |                                   |
| Salaries                          | \$ 4,852,088                | \$ 417,940                 | \$ 5,270,028                  | \$ 674,620                    | \$ 5,944,648                      | \$ 5,666,133                      |
| Payroll taxes and benefits        | 1,145,611                   | 98,679                     | 1,244,290                     | 159,282                       | 1,403,572                         | 1,057,711                         |
| Total personnel costs             | <u>5,997,699</u>            | <u>516,619</u>             | <u>6,514,318</u>              | <u>833,902</u>                | <u>7,348,220</u>                  | <u>6,723,844</u>                  |
| Professional fees                 | 328,400                     | 64,892                     | 393,292                       | 426,116                       | 819,408                           | 857,093                           |
| Curriculum and classroom expenses | 217,800                     | 38,435                     | 256,235                       | -                             | 256,235                           | 247,922                           |
| Facilities expense                | 3,334,933                   | 625,300                    | 3,960,233                     | 208,432                       | 4,168,665                         | 4,242,933                         |
| Office expenses                   | 298,605                     | 17,827                     | 316,432                       | 129,247                       | 445,679                           | 674,386                           |
| Professional development          | 185,760                     | 46,429                     | 232,189                       | 46                            | 232,235                           | 307,273                           |
| Insurance                         | 95,454                      | 5,699                      | 101,153                       | 41,316                        | 142,469                           | 187,741                           |
| Recruitment                       | 89,965                      | 14,994                     | 104,959                       | 44,983                        | 149,942                           | 103,897                           |
| Other expenses                    | 41,321                      | 7,285                      | 48,606                        | 24,844                        | 73,450                            | 54,695                            |
| Bad debt expense                  | -                           | -                          | -                             | 379,914                       | 379,914                           | -                                 |
| Depreciation                      | 112,740                     | 16,106                     | 128,846                       | 32,212                        | 161,058                           | 186,990                           |
| <b>Total expenses</b>             | <b><u>\$ 10,702,677</u></b> | <b><u>\$ 1,353,586</u></b> | <b><u>\$ 12,056,263</u></b>   | <b><u>\$ 2,121,012</u></b>    | <b><u>\$ 14,177,275</u></b>       | <b><u>\$ 13,586,774</u></b>       |

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

# Elm Community Charter School

## Statement of Cash Flows

For the Year Ended June 30, 2025  
(With comparative totals for the year ended June 30, 2024)

|  | June 30,            |                     |
|--|---------------------|---------------------|
|  | 2025                | 2024*               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |
| Change in net assets   | \$ (1,422,992)      | \$ (1,436,232)      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                     |                     |
| Depreciation   | 161,058             | 186,990             |
| Amortization of right of use asset   | 2,153,088           | 2,025,332           |
| Interest expense on lease liability  | 1,966,403           | 1,958,755           |
| Interest paid on lease liability   | (1,966,403)         | (1,958,755)         |
| Changes in assets and liabilities:   |                     |                     |
| Government grants receivable - per pupil   | 9,740               | (20,555)            |
| Government grants receivable - New York City rental assistance                             | 300,080             | -                   |
| Government grants receivable - other   | 280,235             | (253,181)           |
| Prepaid expenses and other assets  | 122,009             | (122,583)           |
| Accounts payable and accrued expenses  | 17,855              | 81,759              |
| Deferred revenue   | 4,396               | (13,626)            |
| Total adjustments  | 3,048,461           | 1,884,136           |
| <b>Net cash flows provided by operating activities</b>                                     | <b>1,625,469</b>    | <b>447,904</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                     |
| Purchase of property and equipment   | (17,584)            | (55,361)            |
| <b>Net cash flows used for investing activities</b>  | <b>(17,584)</b>     | <b>(55,361)</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |                     |
| Repayment of finance lease obligation  | (547,093)           | (349,529)           |
| <b>Net cash flows used for financing activities</b>  | <b>(547,093)</b>    | <b>(349,529)</b>    |
| <b>Net increase in cash, cash equivalents and restricted cash</b>                          | <b>1,060,792</b>    | <b>43,014</b>       |
| <b>Cash, cash equivalents and restricted cash, <i>beginning of year</i></b>                | <b>3,067,329</b>    | <b>3,024,315</b>    |
| <b>Cash, cash equivalents and restricted cash, <i>end of year</i></b>                      | <b>\$ 4,128,121</b> | <b>\$ 3,067,329</b> |
| <b>Cash, cash equivalents and restricted cash consists of:</b>                             |                     |                     |
| Cash and cash equivalents  | \$ 4,028,055        | \$ 2,992,282        |
| Restricted cash  | 100,066             | 75,047              |
| <b>Total cash, cash equivalents and restricted cash</b>                                    | <b>\$ 4,128,121</b> | <b>\$ 3,067,329</b> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>  |                     |                     |
| Interest paid  | <b>\$ 1,966,403</b> | <b>\$ 1,958,755</b> |
| Taxes paid   | <b>\$ -</b>         | <b>\$ -</b>         |

\* Reclassified for comparative purposes

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

# Elm Community Charter School

## Notes to Financial Statements

June 30, 2024

### Note 1 - Nature of Activities

Elm Community Charter School (the "School"), located in Flushing, New York, is a not-for-profit education corporation chartered by the Board of Regents of the University of the State of New York. The charter was authorized by the SUNY Charter Schools Institute. The School provides a full range of educational services appropriate for elementary school. The School aims to foster an interdisciplinary and collaborative learning environment focused on cultivating civically engaged student leaders. The School's primary source of revenue is per-pupil public school district revenue.

The School has the following programs:

Regular Education - Instruction provided to all students.

Special Education - Instruction that is specially designed to meet the unique needs of students with disabilities.

The School completed the 2024-2025 fiscal year with an average enrollment of approximately 450 students. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education ("NYCDOE"). On July 14, 2017, the School was granted a charter for a term up to and including through July 31, 2023. In April 2023, the School was granted a charter renewal for an additional five years.

The School is affiliated with the Friends of Elm Community Charter School, Inc. ("Friends of Elm") through the use of shared members of their respective Board of Trustees. Friends of Elm is a not-for-profit corporation established to support the creation of the School and function as the fundraising arm of the School. As the School does not have control over Friends of Elm, the financial statements are not permitted to be consolidated. See Notes 4 and 6 for a description of related party transactions.

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.

### Note 2 - Summary of Significant Accounting Policies

#### *a. Basis of Accounting and Presentation*

The accompanying 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.

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958 - *Presentation of Financial Statements of Not-For-Profit Entities*. FASB ASC 958 requires the School to report information regarding its financial position and activities according to the following specific classes of net assets:

Net Assets Without Donor Restrictions - represents those resources for which there are no restrictions by donors as to their use.

# Elm Community Charter School

## Notes to Financial Statements

June 30, 2024

### Note 2 - Summary of Significant Accounting Policies - Continued

#### *a. Basis of Accounting and Presentation - Continued*

Net Assets With Donor Restrictions - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes or passage of time specified by the donor. The School did not have any net assets with donor restrictions at June 30, 2025 or June 30, 2024.

#### *b. Revenue Recognition*

The School follows the requirements of FASB's Accounting Standards Codification ("ASC") 958-605 – *Revenue Recognition* for recording contributions, which are recognized at the time a contribution becomes 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.

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 based on rates established by the School's funding sources and when performance-related outcomes are achieved as well as other conditions under the agreements are met. Revenue recognized in advance of payments being received are recorded as government grant receivables. Payments received in advance of conditions being met are recorded as government grant advances.

Contributions and grants receivable expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Contributions and grants receivable are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2025 or June 30, 2024.

#### *c. Cash and Cash Equivalents*

The School considers all liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents. Cash maintained in escrow per requirements of the NYCDOE are treated as restricted cash.

#### *d. 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, material cash balances were in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels; however, management feels they have little risk, and the School has not experienced any losses from the default of any financial institution.

# Elm Community Charter School

## Notes to Financial Statements

June 30, 2024

### Note 2 - Summary of Significant Accounting Policies - Continued

#### *e. Property and Equipment*

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 is computed using the straight-line method over the estimated useful life of the respective assets.

#### *f. Leases*

The School follows FASB ASC 842 - *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The school determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("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. ROU asset amortization is recognized on a straight-line basis over the lease term. The amount of amortization expense recognized as an expense on the straight-line basis was \$2,153,088 and \$2,025,332 in excess of amounts paid in 2025 and 2024, respectively, which contributed to the decrease in net assets for the year. 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.

#### *g. 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. 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.

#### *h. 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.

| Expense                           | Method of Allocation |
|-----------------------------------|----------------------|
| Salaries                          | Time and effort      |
| Payroll taxes and benefits        | Salary allocation    |
| Curriculum and classroom expenses | Student FTE's        |
| Facilities expense                | Staff FTE's          |
| Office expenses                   | Staff FTE's          |
| Professional development          | Student FTE's        |
| Insurance                         | Staff FTE's          |
| Other expenses                    | Student FTE's        |
| Depreciation                      | Staff FTE's          |

# Elm Community Charter School

## Notes to Financial Statements

June 30, 2024

### Note 2 - Summary of Significant Accounting Policies - Continued

#### *h. Functional Allocation of Expenses - Continued*

Certain program expenses have been allocated between Regular Education and Special Education based on student full-time equivalent ("FTE") rates. All other expenses have been charged directly to the applicable program or supporting services.

#### *i. Advertising*

The cost of advertising is expensed as incurred.

#### *j. 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.

#### *k. 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.

#### *l. 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, 2022, and later are subject to examination by applicable taxing authorities.

#### *m. 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, 2024, from which the summarized information was derived.

### Note 3 - Government Grants Receivable - Per Pupil

Activity related to the contract with the NYCDOE can be summarized as follows:

|                                 | June 30,         |                  |
|---------------------------------|------------------|------------------|
|                                 | 2025             | 2024             |
| Beginning grant receivable      | \$ 23,915        | \$ 3,360         |
| Per pupil funding:              |                  |                  |
| Funding based on allowable FTEs | 9,837,065        | 9,020,548        |
| Advances received               | (9,846,805)      | (8,999,993)      |
| Ending grant receivable         | <u>\$ 14,175</u> | <u>\$ 23,915</u> |

# Elm Community Charter School

## Notes to Financial Statements

June 30, 2024

### Note 4 - New York City Rental Assistance

The School was entitled to receive a rent subsidy, that is calculated at the lower of 30% of the per pupil amount or actual lease costs. During the years ended June 30, 2025 and 2024, the amount of rent subsidy recognized was \$2,371,513 and \$2,308,281, respectively, based on the lease costs. For the years ended June 30, 2025 and 2024, the School made rental payments totaling \$2,371,513 and \$2,308,281, respectively. As indicated in Note 6, rent is paid to Friends of Elm.

### Note 5 - Property and Equipment, net

Property and equipment consist of the following:

|  | June 30,          |                  |
|--|-------------------|------------------|
|  | 2025              | 2025             |
| Furniture and equipment (3-5 years)    | \$ 713,637        | 701,551          |
| Computer equipment (3 years)           | 386,636           | 381,138          |
| Leasehold improvements (Life of lease) | 167,000           | 167,000          |
|  | <u>1,267,273</u>  | <u>1,249,689</u> |
| Less accumulated depreciation          | <u>(876,285)</u>  | <u>(715,227)</u> |
| Total property and equipment, net      | <u>\$ 390,988</u> | <u>534,462</u>   |

### Note 6 - Right-of-Use Assets and Financing 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 asset and lease liability, all of which arise from financing leases, were calculated based on the present value of future lease payments over the lease terms.

The School occupies space in Queens, New York under a sub-lease agreement with Friends of Elm (see Note 1) that expires on June 30, 2053. Under the terms of the lease held by Friends of Elm with the landlord, the School acts as guarantor. The maximum potential amount that the school can be required to pay in connection with this guarantee is \$99,641,778.

Additionally, the School has a lease for six copy machines, all of which expire on June 30, 2027 and do not include an extension option.

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, 2025 and 2024 was 3.13% for 28 and 29 years, respectively.

# Elm Community Charter School

## Notes to Financial Statements

June 30, 2024

### Note 6 - Right-of-Use Assets and Financing Lease Liabilities - Continued

Future minimum payments on the financing lease liabilities are as follows:

For the years ending June 30,

|                              |                      |
|------------------------------|----------------------|
| 2026                         | \$ 2,483,928         |
| 2027                         | 2,680,836            |
| 2028                         | 2,731,704            |
| 2029                         | 2,786,340            |
| 2030                         | 2,842,068            |
| 2031 and thereafter          | <u>83,619,036</u>    |
| Total lease payments         | 97,143,912           |
| Less: present value discount | <u>(35,088,285)</u>  |
| Total lease obligations      | <u>\$ 62,055,627</u> |

### Note 7 - Restricted Cash

An escrow account has been established to meet the requirement of the Board of Regents of the State of New York. 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.

### Note 8 - Significant Concentration

The School is depending upon grants from the NYCDOE to carry out its operations. Approximately 96% and 93% of the School's total public support and revenue was from the NYCDOE for the years ended June 30, 2025 and June 30, 2024, respectively. If the NYCDOE were to discontinue funding, it would have a severe economic impact on the School's ability to operate.

### Note 9 - Retirement Plan

The School has a retirement plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate and may elect to defer a portion of their salary and contribute to this plan up to statutory amounts. The School provides matching contributions on a discretionary basis and contributed \$141,415 and \$80,390 for the years ended June 30, 2025 and 2024, respectively. Salary deferrals and matching contributions are immediately 100% vested.

### Note 10 - Availability and Liquidity

At June 30, 2025, the School's financial assets available to meet cash needs for general expenditures within one year are \$4,213,129, which consist of cash and cash equivalents of \$4,028,055 and government grants receivable of \$185,074. There are no external or internal limits imposed on these balances. 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 11 - Subsequent Events

Subsequent events have been evaluated through October 30, 2025, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.

**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  
Elm Community 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 Elm Community Charter School (the "School"), which comprise the statement of financial position as of June 30, 2025, 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 30, 2025.

**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 LLP*

New York, NY  
October 30, 2025

# Elm Community Charter School

## Schedule of Findings and Questioned Costs

June 30, 2025

Current Year:

**None**

Prior Year:

**None**