

New York City Charter School of the Arts

Financial Statements

June 30, 2025 and 2024

Independent Auditors' Report

Board of Trustees
New York City Charter School of the Arts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New York City Charter School of the Arts (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of New York City Charter School of the Arts as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New York City Charter School of the Arts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 New York City Charter School of the Arts' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 New York City Charter School of the Arts' 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 New York City Charter School of the Arts' 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, on our consideration of New York City Charter School of the Arts' 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 New York City Charter School of the Arts' 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 New York City Charter School of the Arts' internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 31, 2025

New York City Charter School of the Arts

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current Assets		
Cash	\$ 1,223,706	\$ 1,559,757
Grants and contracts receivable	31,644	78,178
Employee Retention Credit receivable	551,123	551,123
Prepaid expenses and other current assets	-	54,645
Total Current Assets	1,806,473	2,243,703
Property and equipment, net	250,292	329,192
Right of use asset - operating lease, net	3,918,908	5,146,197
Security deposit	589,560	589,560
Restricted cash	77,089	76,467
	\$ 6,642,322	\$ 8,385,119
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 273,962	\$ 261,199
Accrued payroll and payroll taxes	185,869	276,787
Operating lease liability	1,347,160	1,217,724
Payroll provider advance payable	468,033	468,033
Refundable advances	1,145	530
Total Current Liabilities	2,276,169	2,224,273
Operating lease liability, less current portion	2,949,492	4,296,652
Total Liabilities	5,225,661	6,520,925
Net assets, without donor restrictions	1,416,661	1,864,194
	\$ 6,642,322	\$ 8,385,119

See notes to financial statements

New York City Charter School of the Arts

Statements of Activities

	Year Ended June 30,	
	2025	2024
OPERATING REVENUE		
State and local per pupil operating revenue		
General education	\$ 4,270,267	\$ 4,018,176
Special education	1,033,362	1,080,214
Facilities	1,270,473	1,201,081
Federal grants	192,333	201,073
State grants	<u>-</u>	<u>17,180</u>
Total Operating Revenue	<u>6,766,435</u>	<u>6,517,724</u>
EXPENSES		
Program Services		
Regular education	4,013,461	4,036,717
Special education	<u>2,220,520</u>	<u>2,356,099</u>
Total Program Services	6,233,981	6,392,816
Supporting Services		
Management and general	1,047,109	659,289
Fundraising	<u>49,264</u>	<u>43,303</u>
Total Expenses	<u>7,330,354</u>	<u>7,095,408</u>
 (Deficit) from Operations	 <u>(563,919)</u>	 <u>(577,684)</u>
SUPPORT AND OTHER REVENUE		
Employee Retention Credit	-	551,123
Grants and contributions	24,893	22,318
Interest and other income	<u>91,493</u>	<u>22,533</u>
Total Support and Other Revenue	<u>116,386</u>	<u>595,974</u>
 Change in Net Assets	 (447,533)	 18,290
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	<u>1,864,194</u>	<u>1,845,904</u>
 End of year	 <u>\$ 1,416,661</u>	 <u>\$ 1,864,194</u>

See notes to financial statements

New York City Charter School of the Arts

Statement of Functional Expenses
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	12	\$ 604,367	\$ 99,297	\$ 703,664	\$ 478,788	\$ 27,380	\$ 1,209,832
Instructional personnel	31	1,468,283	1,076,678	2,544,961	-	-	2,544,961
Total Personnel Service Costs	43	2,072,650	1,175,975	3,248,625	478,788	27,380	3,754,793
Fringe benefits and payroll taxes		360,201	204,370	564,571	83,903	4,758	653,232
Accounting and audit services		-	-	-	106,000	-	106,000
Legal service		8,284	4,700	12,984	1,930	109	15,023
Outside contracted services and consultants		190,885	99,926	290,811	107,387	1,756	399,954
Occupancy and rent		892,097	506,156	1,398,253	207,799	11,785	1,617,837
Repairs and maintenance		28,079	15,932	44,011	6,541	371	50,923
Insurance		36,565	20,746	57,311	8,517	483	66,311
Utilities		71,028	40,300	111,328	16,545	938	128,811
Supplies and materials		143,928	51,325	195,253	-	-	195,253
Staff development		25,977	9,081	35,058	-	-	35,058
Marketing and recruitment		47,663	17,074	64,737	442	25	65,204
Technology		16,832	9,550	26,382	3,921	222	30,525
Student services		10,375	3,627	14,002	-	-	14,002
Office expense		37,590	21,300	58,890	8,726	495	68,111
Depreciation and amortization		66,821	37,913	104,734	15,565	883	121,182
Other		4,486	2,545	7,031	1,045	59	8,135
Total Expenses		\$ 4,013,461	\$ 2,220,520	\$ 6,233,981	\$ 1,047,109	\$ 49,264	\$ 7,330,354

New York City Charter School of the Arts

Statement of Functional Expenses
Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	12	\$ 706,298	\$ 114,311	\$ 820,609	\$ 264,227	\$ 24,089	\$ 1,108,925
Instructional personnel	29	1,354,254	1,120,704	2,474,958	-	-	2,474,958
Non-instructional personnel	1	5,765	961	6,726	2,883	-	9,609
Total Personnel Service Costs	42	2,066,317	1,235,976	3,302,293	267,110	24,089	3,593,492
Fringe benefits and payroll taxes		344,328	205,961	550,289	44,511	4,014	598,814
Accounting and audit services		-	-	-	109,000	-	109,000
Legal service		5,392	3,225	8,617	697	63	9,377
Outside contracted services and consultants		273,454	145,696	419,150	91,109	1,892	512,151
Occupancy and rent		870,588	520,745	1,391,333	112,539	10,149	1,514,021
Repairs and maintenance		30,606	18,307	48,913	3,957	357	53,227
Insurance		35,558	21,269	56,827	4,596	415	61,838
Utilities		49,355	29,522	78,877	6,379	575	85,831
Supplies and materials		116,773	47,629	164,402	-	-	164,402
Staff development		42,553	17,159	59,712	-	-	59,712
Marketing and recruitment		49,595	22,489	72,084	1,652	149	73,885
Technology		20,298	12,141	32,439	2,623	237	35,299
Food service		623	251	874	-	-	874
Student services		11,476	4,627	16,103	-	-	16,103
Office expense		33,438	19,443	52,881	3,953	356	57,190
Depreciation and amortization		81,657	48,844	130,501	10,555	952	142,008
Other		4,706	2,815	7,521	608	55	8,184
Total Expenses		\$ 4,036,717	\$ 2,356,099	\$ 6,392,816	\$ 659,289	\$ 43,303	\$ 7,095,408

New York City Charter School of the Arts

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (447,533)	\$ 18,290
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	121,182	142,008
Amortization of right of use asset - operating lease	1,227,289	1,191,656
Changes in operating assets and liabilities		
Grants and contracts receivable	46,534	429,176
Employee Retention Credit Receivable	-	(551,123)
Prepaid expenses and other current assets	54,645	13,081
Accounts payable and accrued expenses	12,763	121,263
Accrued payroll and payroll taxes	(90,918)	62,793
Operating lease liability	(1,217,724)	(1,239,647)
Payroll provider advance payable	-	468,033
Refundable advances	615	(41,543)
Net Cash from Operating Activities	(293,147)	613,987
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(42,282)	(86,264)
Net Change in Cash and Restricted Cash	(335,429)	527,723
CASH AND RESTRICTED CASH		
Beginning of year	1,636,224	1,108,501
End of year	\$ 1,300,795	\$ 1,636,224

New York City Charter School of the Arts

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Tax Status

New York City Charter School of the Arts (the “School”) is a New York State, not-for-profit educational corporation that was incorporated on January 4, 2016 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter (the “Charter”) on January 4, 2016 valid for a term of five years and has been renewed and extended through July 31, 2026 by the Board of Regents of the University of the State of New York. The School’s mission is to inspire a diverse community of young people to engage with the arts as a pathway to rich and rigorous academic scholarship and a creative purposeful life. The School provided education to approximately 223 students in the sixth through eighth grades during the 2024-2025 academic year.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Assets Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School’s operations. Net assets without donor restrictions may be used at the discretion of the School’s management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2025 and 2024.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

New York City Charter School of the Arts

Notes to Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Restricted Cash (continued)

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows at June 30:

	2025	2024
Cash	\$ 1,223,706	\$ 1,559,757
Restricted cash	<u>77,089</u>	<u>76,467</u>
	<u>\$ 1,300,795</u>	<u>\$ 1,636,224</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$2,500 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Furniture and fixtures	7 years
Software	3 years
Computers and equipment	3 and 5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2025 and 2024.

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right of use ("ROU") assets and operating lease liabilities on the accompanying statements of financial position. The School made the short-term lease election for leases with an initial term of less than 12 months. ROU assets represent the right to use underlying assets for the lease terms and lease liabilities represent the obligation to make lease payments arising from the leases. Operating lease ROU assets and liabilities are recognized at the lease commencement dates based on the present value of lease payments over the lease terms. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

New York City Charter School of the Arts

Notes to Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Leases (continued)

The operating lease ROU assets includes 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 School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease terms. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current period activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental sources that include grants and contributions revenue, interest and other income, employee retention credit, and other activities considered to be of a more non-recurring nature.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred. Marketing and recruitment expense for the years ended June 30, 2025 and 2024 was \$65,204 and \$73,885.

New York City Charter School of the Arts

Notes to Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (*continued*)

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses such as personnel service costs, fringe benefits and payroll taxes, outside contracted services and consultants, and occupancy and rent have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2022.

Reclassifications

Certain amounts in the accompanying 2024 financial statements have been reclassified to conform to the 2025 presentation. These reclassifications had no effect on the previously reported financial statements.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 31, 2025.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such allowance is not necessary.

4. Employee Retention Credit Receivable

During 2021, the School qualified for the Employee Retention Credit ("ERC"), which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specific threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. The School has recognized the ERC revenue and corresponding receivable in the amount of \$551,123 for the year ended June 30, 2024 upon filing of amended payroll tax returns. The ERC is open for audit for three years from the date of the filing of the amended payroll tax returns. The ERC revenue is included in the accompanying statements of activities, and the corresponding receivable is included in the accompanying statements of financial position.

New York City Charter School of the Arts

Notes to Financial Statements
June 30, 2025 and 2024

4. Employee Retention Credit Receivable (*continued*)

The School's ERC funds recognized are subject to audit in the current and future years. As a result, there is at least a reasonable possibility that the ERC funds recognized, or a portion thereof, may be repaid in the future.

During the year ended June 30, 2024, the School received net advances totaling \$468,033 from its payroll provider related to the Employee Retention Credit. These funds will be returned to the payroll provider when the School receives the Employee Retention Credit from the federal government.

5. Property and Equipment

Property and equipment consists of the following at June 30:

	2025	2024
Furniture and fixtures	\$ 315,751	\$ 313,118
Software	20,100	20,100
Computers and equipment	669,803	635,829
Leasehold improvements	<u>492,047</u>	<u>486,372</u>
	1,497,701	1,455,419
Accumulated depreciation and amortization	<u>(1,247,409)</u>	<u>(1,126,227)</u>
	<u>\$ 250,292</u>	<u>\$ 329,192</u>

6. Liquidity and Availability of Financial Assets

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, are comprised of the following at June 30:

	2025	2024
Cash	\$ 1,223,706	\$ 1,559,757
Grants and contracts receivable	<u>31,644</u>	<u>78,178</u>
	<u>\$ 1,255,350</u>	<u>\$ 1,637,935</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in liquid instruments until it is required for operational use. The School will continue to rely on funding received from the New York City Department of Education to cover future operating costs (see Note 9).

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 2% of the participant's eligible annual compensation. Employer match for the years ended June 30, 2025 and 2024 amounted to \$72,700 and \$69,500.

New York City Charter School of the Arts

Notes to Financial Statements
June 30, 2025 and 2024

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and restricted cash with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (“FDIC”) limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. The School maintains its cash with a financial institution who utilizes a sweep program to distribute deposits among multiple receiving institutions, limiting balances at each to \$250,000 to ensure full FDIC insurance coverage. As a result, the School’s cash was fully insured by the FDIC as of June 30, 2025 and 2024.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2025 and 2024, the School received approximately 95% and 96% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School’s finances could be materially adversely affected.

10. Commitments

On March 8, 2018, the School signed a sublease agreement with NYFA 26 Broadway, LLC (“Sublandlord”) for facility space under a non-cancelable lease that commenced on September 1, 2018 and expiring on June 30, 2028. Under the terms of the sublease, the School paid a security deposit in the amount of \$589,560.

The School is responsible for utilities, custodial services, maintenance, school safety services, HVAC, elevator services, and any additional services provided by the landlord to the School. Beginning in the 2019-2020 academic year, the School will not occupy the premises or be responsible for rent for a five week period from July to August each year (the “Summer Term”). The School has the option to occupy the subleased space during the Summer Term at an additional cost.

In August 2023, the School entered into a second sublease agreement with the Sublandlord for additional classroom space. In September 2023, the School began paying monthly rent of \$20,000 on a month-to-month basis for the additional classroom space. Either party may terminate the month-to-month sublease 30 days prior to written notice to the other party.

ROU assets consist of the following at June 30:

	2025	2024
ROU asset - operating lease	\$ 7,496,049	\$ 7,496,049
Less: Accumulated amortization	<u>(3,577,141)</u>	<u>(2,349,852)</u>
	<u>\$ 3,918,908</u>	<u>\$ 5,146,197</u>
Weighted average remaining lease term	3 years	4 years
Weighted average discount rate	2.90%	2.90%

New York City Charter School of the Arts

Notes to Financial Statements
June 30, 2025 and 2024

10. Commitments (*continued*)

The future minimum lease payments under this lease are as follows for the years ending June 30:

2026	\$	1,450,446
2027		1,493,959
2028		<u>1,538,778</u>
Total minimum lease payments		4,483,183
Present value discount		<u>(186,531)</u>
Present value of operating lease liability		4,296,652
Current portion		<u>(1,347,160)</u>
Operating lease liability, less current portion	\$	<u><u>2,949,492</u></u>

Occupancy and rent expense for the years ended June 30, 2025 and 2024 amounted to \$1,617,837 and \$1,514,021. Cash paid for amounts included in the measurement of operating lease liability for the years ended June 30, 2025 and 2024 amounted to \$1,408,200 and \$1,367,184.

In September 2025, the School entered into an operating lease agreement with 241 Water Street Holdings LLC (the "Landlord") for office and classroom space for the upcoming new school location. The lease term under the new agreement is for a period of 30 years, commencing November 1, 2025, and terminating September 30, 2055.

The future minimum lease payments under this lease are as follows for the years ending June 30:

2026	\$	895,650
2027		1,363,627
2028		1,394,309
2029		1,425,681
2030		1,457,758
Thereafter		<u>48,660,699</u>
Total	\$	<u><u>56,688,282</u></u>

In addition, the Landlord is to provide a loan to the School equal to \$350,000 on the commencement date. The loan will be interest free, provided that any amounts of the loan that are not repaid to the Landlord by the fifth anniversary of the commencement date, will bear interest thereafter at a variable rate until the outstanding balance is repaid to the Landlord.

New York City Charter School of the Arts

Notes to Financial Statements
June 30, 2025 and 2024

11. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost 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.

From time to time and in the ordinary course of business, the School may be subject to various claims, charges, and litigation. In the opinion of management, final judgement from such pending claims, charges, and litigations, if any, against the School would not have a material adverse effect on the School's financial position, changes in net assets or cash flows.

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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 Auditors' Report

**Board of Trustees
New York City Charter School of the Arts**

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 New York City Charter School of the Arts (the "School") (a nonprofit organization), 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 31, 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 31, 2025

Board of Trustees
New York City Charter School of the Arts

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of New York City Charter School of the Arts (the "School") as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, audit committee, Board of Trustees, The State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
October 31, 2025