
THE ACADEMY CHARTER SCHOOL 2

Financial Statements

For the years ended June 30, 2025 and 2024

THE ACADEMY CHARTER SCHOOL 2
Financial Statements
June 30, 2025 and 2024

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Independent Auditor's Report

To the Board of Trustees of
The Academy Charter School 2
Wyandanch, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Academy Charter School 2 ("TACS2") (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 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 TACS2 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TACS2 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 TACS2'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 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 TACS2'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 TACS2'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025, on our consideration of TACS2'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 TACS2'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 TACS2's internal control over financial reporting and compliance.

New York, New York
October 30, 2025

NChang LLP

THE ACADEMY CHARTER SCHOOL 2

Statements of Financial Position

As of June 30,

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|---------------------|
| <u>Assets</u> | | |
| Current assets | | |
| Cash | \$ 1,499,096 | \$ 669,023 |
| Restricted cash and escrow reserves - bond principal and interest | 1,589,439 | - |
| Accounts receivable | 1,685,550 | 496,590 |
| Grants receivable - government agencies | 128,723 | 314,681 |
| Prepaid expenses | 14,650 | - |
| Due from affiliate (FOTA) | 1,421,824 | 310,761 |
| Total current assets | 6,339,282 | 1,791,055 |
| Property and equipment, net | 34,908,717 | 7,287,513 |
| Other assets | | |
| Restricted cash - escrow reserves | 3,661,032 | - |
| Security and other deposits | 3,685 | 3,685 |
| Total assets | <u>\$ 44,912,716</u> | <u>9,082,253</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 398,851 | 144,194 |
| Accrued salaries and other payroll-related expenses | 1,006,185 | 625,048 |
| Accrued interest payable | 1,141,188 | 164,027 |
| Bonds payable - current portion | 560,000 | - |
| Due to affiliate (TACS) | 9,323,250 | 2,505,243 |
| Total current liabilities | 12,429,474 | 3,438,512 |
| Bonds payable, net of unamortized deferred financing costs | 37,546,777 | 7,179,963 |
| CSGF convertible loan | - | 300,000 |
| Total long-term liabilities | 37,546,777 | 7,479,963 |
| Total liabilities | 49,976,251 | 10,918,475 |
| Net assets without donor restrictions | | |
| Undesignated | (5,138,535) | (1,836,222) |
| Reserve - contingency | 75,000 | - |
| Total net assets without donor restrictions | <u>(5,063,535)</u> | <u>(1,836,222)</u> |
| Total liabilities and net assets | <u>\$ 44,912,716</u> | <u>\$ 9,082,253</u> |

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

THE ACADEMY CHARTER SCHOOL 2**Statements of Activities**

For the years ended June 30,

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| <u>Operating revenue and other support</u> | | |
| Public school districts | | |
| Regular education | \$ 9,006,744 | \$ 3,717,852 |
| Special education | 512,137 | 343,329 |
| | <u>9,518,881</u> | <u>4,061,181</u> |
| Grants, contracts and other support | | |
| Federal and state grants | 713,289 | 514,940 |
| Contributions and private grants | 612,862 | 20,476 |
| Interest and other income | 61,667 | - |
| | <u>10,906,699</u> | <u>4,596,597</u> |
| <u>Expenses</u> | | |
| Program expenses | | |
| Regular education | 9,197,745 | 4,155,629 |
| Food service | 1,178,858 | 432,337 |
| Special education | 929,069 | 314,644 |
| | <u>11,305,672</u> | <u>4,902,610</u> |
| Supporting services | | |
| Management and general | 2,828,340 | 1,125,220 |
| | <u>14,134,012</u> | <u>6,027,830</u> |
| Change in net assets | (3,227,313) | (1,431,233) |
| Net assets without donor restrictions - beginning of year | (1,836,222) | (404,989) |
| Net assets without donor restrictions - end of year | <u>\$ (5,063,535)</u> | <u>\$ (1,836,222)</u> |

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

THE ACADEMY CHARTER SCHOOL 2
Statement of Functional Expenses
For the year ended June 30, 2025

| | Number of Positions | Program expenses | | | | Supporting services | Total program and supporting services |
|---|---------------------|---------------------|-------------------|---------------------|----------------------|----------------------|---------------------------------------|
| | | Regular Education | Special Education | Food Service | Total Programs | Management & General | |
| Salaries | | | | | | | |
| Administrative staff personnel | 3 | \$ 164,827 | \$ - | \$ - | \$ 164,827 | \$ 364,992 | \$ 529,819 |
| Instructional personnel | 49 | 3,423,148 | 379,691 | - | 3,802,839 | - | 3,802,839 |
| Noninstructional personnel | 27 | 11,221 | - | 236,295 | 247,516 | 734,670 | 982,186 |
| Total salaries | 79 | 3,599,196 | 379,691 | 236,295 | 4,215,182 | 1,099,662 | 5,314,844 |
| Payroll taxes and fringe benefits | | 887,169 | 91,382 | 56,870 | 1,035,421 | 264,662 | 1,300,083 |
| Retirement benefits | | 69,420 | 7,323 | 4,557 | 81,300 | 21,209 | 102,509 |
| Financial and administrative | | 8,248 | - | 615 | 8,863 | 183,601 | 192,464 |
| Marketing and recruitment | | 108,243 | - | - | 108,243 | - | 108,243 |
| Insurance | | 52,312 | - | - | 52,312 | - | 52,312 |
| Legal, professional and management fees | | 230,133 | 1,100 | 51,671 | 282,904 | 329,953 | 612,857 |
| Repairs and maintenance | | 474,076 | 48,950 | 39,171 | 562,197 | 141,768 | 703,965 |
| Equipment leasing and maintenance | | 112,353 | 10,891 | 25,490 | 148,734 | 31,682 | 180,416 |
| Staff development | | 72,531 | 7,652 | - | 80,183 | - | 80,183 |
| Food costs | | - | - | 601,917 | 601,917 | - | 601,917 |
| Student services and activities | | 748,856 | 83,635 | - | 832,491 | - | 832,491 |
| Supplies and instructional materials | | 363,503 | 37,697 | - | 401,200 | 622 | 401,822 |
| Telephone and internet services | | 11,174 | 1,179 | 734 | 13,087 | 3,413 | 16,500 |
| Occupancy | | 935,393 | 98,678 | 61,410 | 1,095,481 | 285,791 | 1,381,272 |
| Other expenses | | 49,881 | 5,262 | 3,275 | 58,418 | 15,240 | 73,658 |
| Interest expense - facilities loan | | 1,479 | 156 | 97 | 1,732 | 454 | 2,186 |
| Interest expense - bonds | | 795,987 | 83,971 | 52,258 | 932,216 | 243,198 | 1,175,414 |
| Depreciation | | 662,131 | 69,850 | 43,470 | 775,451 | 202,300 | 977,751 |
| Amortization - bonds | | 15,660 | 1,652 | 1,028 | 18,340 | 4,785 | 23,125 |
| Total operating expenses | | 5,598,549 | 549,378 | 942,563 | 7,090,490 | 1,728,678 | 8,819,168 |
| Total expenses | | \$ 9,197,745 | \$ 929,069 | \$ 1,178,858 | \$ 11,305,672 | \$ 2,828,340 | \$ 14,134,012 |

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

THE ACADEMY CHARTER SCHOOL 2
Statement of Functional Expenses
For the year ended June 30, 2024

| | Number of Positions | Program expenses | | | Supporting services | Total program and |
|---|---------------------|---------------------|-------------------|-------------------|----------------------|---------------------|
| | | Regular Education | Special Education | Food Service | Management & General | supporting services |
| Salaries | | | | | | |
| Administrative staff personnel | 3 | \$ 87,318 | \$ - | \$ - | \$ 158,776 | \$ 246,094 |
| Instructional personnel | 28 | 1,673,348 | 147,600 | - | 7,720 | 1,828,668 |
| Noninstructional personnel | 7 | 12,762 | - | 41,514 | 255,402 | 309,678 |
| Total salaries | 38 | 1,773,428 | 147,600 | 41,514 | 421,898 | 2,384,440 |
| Payroll taxes and fringe benefits | | 346,604 | 28,081 | 7,899 | 80,267 | 462,851 |
| Retirement benefits | | 47,457 | 3,950 | - | 6,631 | 58,038 |
| Financial and administrative | | 17,161 | - | - | 151,008 | 168,169 |
| Marketing and recruitment | | 89,997 | - | - | - | 89,997 |
| Insurance | | 54,815 | 4,562 | 1,283 | 13,041 | 73,701 |
| Legal, professional and management fees | | 176,237 | - | - | 253,030 | 429,267 |
| Repairs and maintenance | | 233,181 | 19,186 | 56,052 | 5,397 | 313,816 |
| Equipment leasing and maintenance | | 109,715 | 8,652 | 11,146 | 19,299 | 148,812 |
| Staff development | | 49,382 | 4,072 | - | 464 | 53,918 |
| Food costs | | - | - | 291,708 | 8,828 | 300,536 |
| Student services and activities | | 373,260 | 30,962 | - | - | 404,222 |
| Supplies and instructional materials | | 112,415 | 8,800 | - | 1,575 | 122,790 |
| Telephone and internet services | | 9,226 | 768 | 216 | 2,195 | 12,405 |
| Occupancy | | 70,918 | 6,542 | 6,132 | 14,467 | 98,059 |
| Other expenses | | 51,758 | - | - | - | 51,758 |
| Interest expense - facilities loan | | 3,992 | - | - | - | 3,992 |
| Interest expense - bonds | | 317,216 | 26,402 | 9,337 | 75,467 | 428,422 |
| Depreciation | | 318,867 | 25,067 | 7,050 | 71,653 | 422,637 |
| Total operating expenses | | 2,382,201 | 167,044 | 390,823 | 703,322 | 3,643,390 |
| Total expenses | | \$ 4,155,629 | \$ 314,644 | \$ 432,337 | \$ 1,125,220 | \$ 6,027,830 |

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

THE ACADEMY CHARTER SCHOOL 2

Statements of Cash Flows

For the years ended June 30,

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|--------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (3,227,313) | \$ (1,431,233) |
| Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities | | |
| Depreciation | 977,751 | 422,637 |
| Debt issuance costs amortization | 23,125 | - |
| CSGF loan conversion to grant | (300,000) | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (1,188,960) | (44,692) |
| Grants receivable - government agencies | 185,958 | 362,432 |
| Due from affiliate (FOTA) | (1,111,063) | (310,761) |
| Prepaid expenses | (14,650) | 15,150 |
| Reimbursement for New School Facility | - | 4,616,368 |
| Security and other deposits | - | 19,197 |
| Accounts payable and accrued expenses | 254,658 | (7,845) |
| Accrued salaries and other payroll-related expenses | 381,137 | 147,400 |
| Accrued interest payable | 977,161 | 164,027 |
| Due to affiliate (TACS) | <u>6,818,007</u> | <u>(9,298,720)</u> |
| Net cash provided by/(used in) operating activities | <u>3,775,811</u> | <u>(5,346,040)</u> |
| Cash flows from investing activities | | |
| Acquisition of property and equipment | (407,482) | (206,724) |
| Restricted reserves transfers | <u>2,712,215</u> | <u>-</u> |
| Net cash provided by/(used in) investing activities | <u>2,304,733</u> | <u>(206,724)</u> |
| Cash flows from financing activities | | |
| Proceeds from bonds issuance | - | 7,179,963 |
| Payments on mortgage | <u>-</u> | <u>(958,176)</u> |
| Net cash provided by financing activities | <u>-</u> | <u>6,221,787</u> |
| Net change in cash and restricted cash | 6,080,544 | 669,023 |
| Cash and restricted cash - beginning of year | <u>669,023</u> | <u>-</u> |
| Cash and restricted cash - end of year | <u>\$ 6,749,567</u> | <u>\$ 669,023</u> |
| Supplemental cash flow disclosures | | |
| Interest paid by TACS2 | <u>\$ 465,282</u> | <u>\$ 268,387</u> |
| Noncash Investing and Financing Activities | | |
| Transfer of property and equipment at carrying value | \$ (28,191,473) | \$ - |
| Transfer of bond obligations | \$ 32,875,037 | \$ - |
| Transfer of unamortized debt issuance costs | \$ (1,971,349) | \$ - |
| Transfer of restricted reserves | \$ 2,712,215 | \$ - |

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

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2025 and 2024

Note 1 Organizations

The Academy Charter School 2 (“TACS2”), a 501(c)(3) tax-exempt organization, is a public charter school located in Wyandanch, New York. TACS2 was incorporated in November 2021 and commenced operating classes for kindergarten through second grade in September 2022. Effective February 11, 2022, TACS2 received its charter approval from The State University of New York Charter School Institute to open the Academy Charter School 2 – Wyandanch (“Wyandanch Campus”). The charter expires June 2027.

The mission of TACS2 is to offer an interdisciplinary curriculum in a technology-rich environment that challenges students to explore connections across subjects and use experiential learning to bridge the gaps between theory and practice. Enrollment is open to all potential student candidates, with a preference for those residing in the immediate area. TACS2 operates classes from kindergarten through second grade with the goal of expanding operations for kindergarten through sixth grade by 2027.

Affiliated organizations.

The Academy Charter School (“TACS”), a 501(c)(3), a New York tax-exempt organization, is a public charter school located in Hempstead and Uniondale, New York.

Friends of The Academy, Inc. (“FOTA”) is a New York not-for-profit organization incorporated on February 24, 2015, which is a 501(c)(3) tax exempt entity.

Prior to February 27, 2025, TACS, TACS2 and FOTA were guarantors on all outstanding bonds including the 2023 bond series, which were issued by TACS2 and FOTA. The proceeds from the 2023 bond series were used to construct and refinance facilities owned by TACS2 and FOTA. As a result of being co-obligors on the outstanding bonds, in addition to issuing separate standalone financial statements for TACS and TACS2, the financial statements were also combined for financial reporting purposes. On February 27, 2025, FOTA was released from being co-obligor as a result of transferring of title of the New School Facility to TACS2.

Note 2 Summary of significant accounting policies

Basis of accounting. The financial statements of TACS2 have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) on the accrual basis of accounting.

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2025 and 2024

Note 2 Summary of significant accounting policies – (continued)

Financial statement presentation. TACS2 reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of TACS2.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TACS2 or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue recognition. TACS2 recognizes revenue from the state and local governments based on TACS2's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Education Department mandates the rate per pupil. Revenue from these transactions is recognized ratably over the related school year.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as deferred revenue. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

For contributions, TACS2 evaluates whether they are conditional or unconditional. Contributions are considered to be conditional when both barriers, the right of return of the assets and the right of release from the obligation, must be overcome for TACS2 to be entitled to the revenue.

Use of estimates. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk. Financial instruments, which potentially subject TACS2 to concentrations of credit risk include cash and accounts receivable. TACS2 maintains its cash in bank deposit accounts which, at times, may exceed the current insured amount of \$250,000 under the Federal Deposit Insurance Corporation ("FDIC"). As of June 30, 2025 and 2024, TACS2's cash balance exceeded the current amount insured under FDIC. TACS2 has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

THE ACADEMY CHARTER SCHOOL 2
Notes to the Financial Statements
June 30, 2025 and 2024

Note 2 Summary of significant accounting policies – (continued)

Statement of cash flows presentation. On the statements of cash flows, cash, cash equivalents and restricted cash at June 30, 2025 and 2024 consist of the following:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|-------------------|
| Cash | \$ 1,499,096 | \$ 669,023 |
| Restricted cash and escrow reserves: | | |
| Bond principal reserves | 282,148 | - |
| Bond interest reserves | 1,307,291 | - |
| Restricted cash - held by trustee | 6,747 | - |
| Debt service reserve fund | 3,373,171 | - |
| Cost of Issuance fund | 9,068 | - |
| Capitalized interest reserve | 60 | - |
| Repairs and replacements | <u>271,986</u> | <u>-</u> |
| Total restricted cash and escrow reserves | <u>5,250,471</u> | <u>-</u> |
| Total cash and restricted cash | <u>\$ 6,749,567</u> | <u>\$ 669,023</u> |

During the year ended June 30, 2025, TACS2 received legal title to property and related improvements from FOTA, as part of an internal restructuring under common control. In connection with the transfer, TACS2 assumed bond obligations of \$32,875,037, including unamortized debt issuance costs of \$1,971,349, and recognized property and equipment of \$28,191,473. Restricted cash and reserve funds totaling \$2,712,215 were also transferred to TACS2. No purchase price or consideration was exchanged, and the transaction was entirely noncash in nature. The property, debt, and related reserves were recorded at the carrying amounts previously reported by FOTA.

Restricted cash and escrow reserves. Restricted cash and escrow reserves relate to reserve and escrow accounts that are required to be maintained by TACS2 in accordance with the bond indenture and charter requirements.

Accounts receivable. Financial assets, which potentially subject TACS2 to credit losses, consist primarily of amounts due from school districts for per-pupil billings and other educational services provided. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The allowance for credit losses is determined through analysis of the accounts receivable aging, historical collection experience, and an evaluation of current and projected economic conditions that may impact collectability. Because receivables are due primarily from New York State and local school districts, management believes the risk of loss is minimal.

Based on the analysis performed on open accounts receivable and historical collection trends, TACS2 did not record allowance for credit losses for the years ended June 30, 2025 and 2024.

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2025 and 2024

Note 2 Summary of significant accounting policies – (continued)

Grants receivable. Grants receivable are recorded at net realizable value. The allowance for doubtful accounts is TACS2's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. There was no allowance reported for the years ended June 30, 2025 and 2024.

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. TACS2 capitalizes additions and significant improvements in excess of \$5,000. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

| <u>Asset</u> | <u>Useful Life</u> |
|-------------------------------|--------------------|
| Building and improvements | 39 years |
| Furniture and fixtures | 7 years |
| Machinery and equipment | 3 years |
| Computer and office equipment | 3 years |

Depreciation charges for computer equipment financed through capitalized lease obligations are included in depreciation expense. Depreciation for construction-in-progress will commence over the estimated useful lives of the respective assets when the assets are placed in service.

Functional allocation of expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Salaries and professional fees are allocated based on time and effort. Payroll taxes, fringe benefits, occupancy, repairs and maintenance, data management, equipment rental, and supplies are allocated using salaries allocation as the basis.

Advertising. Advertising costs are expensed as incurred.

Debt issuance costs. Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the bonds payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using a straight-line method over the term of the related debt. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. For the year ended June 30, 2025 amortization expense amounted to \$23,125.

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2025 and 2024

Note 2 Summary of significant accounting policies – (continued)

Income taxes. TACS2 is exempt from income taxes under 501(c)(3) of the Internal Revenue Code (the Code). TACS2 has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdictions where it operates. TACS2 does not anticipate any significant uncertain tax positions that would require recognition in the financial statements. Periods ending June 30, 2022 and subsequent remain subject to examination by the taxing authorities.

Note 3 Property and equipment

Property and equipment consist of the following as of June 30,:

| | 2025 | 2024 |
|--------------------------------|----------------------|---------------------|
| Land | \$ 2,776,000 | \$ 526,000 |
| Buildings and improvements | 30,486,775 | 6,549,759 |
| Furniture and fixtures | 1,162,051 | 202,109 |
| Machinery and equipment | 316,774 | 34,280 |
| Educational equipment | 8,424 | 8,424 |
| Computer and office equipment | 1,792,948 | 623,445 |
| Total property and equipment | 36,542,972 | 7,944,017 |
| Less: accumulated depreciation | (1,634,255) | (656,504) |
| Property and equipment, net | <u>\$ 34,908,717</u> | <u>\$ 7,287,513</u> |

Note 4 Due to affiliate

TACS assisted its affiliate, TACS2, with startup, organizational, and construction costs. As of June 30, 2025 and 2024, the total amount due to TACS was \$9,323,250, and \$2,505,243, respectively. The advances bear no interest and are subject to repayment based on approval by both boards.

Additionally, TACS provides various administrative, organizational, and facility development support to TACS2. These activities primarily include assistance with construction projects and management of the operations of TACS2. Management fees due to TACS from TACS2 amounted to \$324,858 and \$245,829 for the years ended June 30, 2025 and 2024, respectively.

TACS2 advanced funds to FOTA to assist with startup, organizational, and construction costs. As of June 30, 2025 and 2024, the total amount due to TACS2 was \$1,421,824 and \$310,761, respectively, which consisted primarily of operational and construction costs paid by TACS2 on behalf of FOTA.

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2025 and 2024

Note 5 Loan payable

On June 29, 2022, TACS2 had a convertible loan agreement from Charter School Growth Fund (“CSGF”) in the amount of \$600,000 for the financial management and financing of the Wyandanch facilities development. The loan is convertible to a grant upon meeting specific requirements and milestones as agreed with the lender. No payments of principal or interest are required until maturity. The loan bears interest of 1% per annum and has a maturity date of June 30, 2027. On June 23, 2023, \$300,000 of the loan amount converted into a grant. On September 3, 2024, TACS2 successfully fulfilled the conditions outlined in its loan agreement with CSGF, allowing the remaining loan balance of \$300,000 to be converted into a grant.

Note 6 Bonds payable

On July 27, 2023, the Town of Babylon L.D. Corporation II provided financing through the issuance of \$39,250,000 in Tax-Exempt Education Revenue Bonds (the “Series 2023A Bonds”), bearing interest from 5.75% to 6.65% per annum, with principal due at varying amounts annually through maturity on February 1, 2053, as well as a \$805,000 Taxable Education Revenue Bond (the “Series 2023B Bonds”), bearing interest at 7.25% due at varying amounts annually through maturity on February 1, 2027.

Of the total bond proceeds of \$40,055,000, TACS2 was allocated \$7,179,963 in order to refinance the loans obtained for the Early Learning Facility. \$6,246,157 of the proceeds were used to repay TACS for the funds loaned to TACS2 for the costs of acquisition and renovation of an approximately 9,800 square feet 1-story building for the Early Learning Facility. \$933,806 was used to pay off the outstanding mortgage balance on the Early Learning Facility. The remaining proceeds from the \$40,055,000 bond issuance allocated to FOTA were used for the acquisition of land, equipment, furnishings, and the construction costs of the New School Facility. Prior to closing on the bonds, TACS2 disbursed \$4,602,330 to attorneys, architects, engineers, and the contractor from funds which were borrowed from TACS. At closing, these costs were reimbursed to TACS2, who subsequently repaid TACS.

TACS, and TACS2, are co-obligors on all outstanding bond series including the 2023 bond series. As of February 27, 2025, title of the New School Facility was transferred to TACS2. This transfer of title released FOTA from all obligations relating to the 2023 bond series.

As of June 30, 2025, the total outstanding bond principal amount was \$40,055,000.

THE ACADEMY CHARTER SCHOOL 2
Notes to the Financial Statements
June 30, 2025 and 2024

Note 6 Bonds payable – (continued)

Future minimum principal payments for the next five years and in the aggregate thereafter are as follows:

| <u>June 30,</u> | |
|---------------------------------------|----------------------|
| 2026 | \$ 560,000 |
| 2027 | 600,000 |
| 2028 | 635,000 |
| 2029 | 710,000 |
| 2030 | 755,000 |
| Thereafter | <u>36,795,000</u> |
| Total bonds payable | \$ 40,055,000 |
| Less: current portion | (560,000) |
| Less: unamortized debt issuance costs | <u>(1,948,223)</u> |
| Long-term bonds payable – net | <u>\$ 37,546,777</u> |

Note 7 Concentrations of revenue

For the years ended June 30, 2025 and 2024, approximately 87% and 88%, respectively, of TACS2's total revenue was derived from per-pupil funding. Of this per-pupil revenue, approximately 62% and 55%, respectively, was received from one school district. Accordingly, TACS2 is economically dependent on the continued receipt of per-pupil funding, particularly from the one district, to support its operations.

Note 8 Contingencies

TACS2 participates in several federal and state programs. These programs require that TACS2 comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, in the opinion of the management, the ultimate outcome of such audits would not have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

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Note 9 Retirement plan

Effective January 1, 2022, The Academy Charter School 401(k) Plan (the “Plan”) was amended to allow TACS2 to become a participating Plan sponsor. As a result of this amendment, TACS2 employees are eligible to participate in the Plan immediately upon employment. Participation in the Plan is voluntary. Employees can make contributions (pre-tax and Roth), up to IRS limits for each calendar year. TACS2 matches the employees’ contribution up to 4% of the employees’ annual compensation. For the years ended June 30, 2025 and 2024, the matching contributions from TACS2 amounted to \$102,509 and \$58,038, respectively. The Plan assets are held in a separate trust and are not included in the accompanying financial statements. All Plan assets are held for the exclusive benefit of the Plan’s participants and beneficiaries.

Note 10 Liquidity and availability

At June 30, 2025, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | |
|---|---------------------|
| Cash | \$ 1,499,096 |
| Accounts receivable | 1,685,550 |
| Grants receivable - government agencies | <u>128,723</u> |
| Total financial assets available for general expenditures within one year | <u>\$ 3,313,369</u> |

None of the financial assets are subject to donor or other contractual restrictions which would make them unavailable for general expenditures within one year of the balance sheet date. TACS2 structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 11 Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through October 30, 2025, which is the date the financial statements were available to be issued and has concluded that, except for the following, no subsequent events occurred that require an adjustment to or disclosure in the financial statements.

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*

To the Board of Trustees of
The Academy Charter School 2
Wyandanch, New York

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 The Academy Charter School 2 (“TACS2”) (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 30, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TACS2’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 TACS2’s internal control. Accordingly, we do not express an opinion on the effectiveness of TACS2’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 organization’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 TACS2’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.

NCheng LLP

New York, New York
October 30, 2025