

Zeta Charter Schools - New York City

Financial Statements

June 30, 2025 and 2024

Independent Auditors' Report

Board of Trustees
Zeta Charter Schools - New York City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Zeta Charter Schools - New York City (the "School") (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 the School 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 the School 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 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.

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 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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2025 on pages 19 through 26 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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.

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2025

Zeta Charter Schools - New York City

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current Assets		
Cash	\$ 1,811,461	\$ 5,421,628
Investments	23,104,321	12,607,751
Grants and contracts receivable	4,077,043	3,828,911
Prepaid expenses	1,093,366	503,927
Total Current Assets	30,086,191	22,362,217
Finance right-of-use assets, net	197,422,976	189,582,322
Operating right-of-use assets, net	83,077,058	69,572,632
Property and equipment, net	4,156,838	2,750,776
Restricted cash	300,455	300,395
	\$ 315,043,518	\$ 284,568,342
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,686,563	\$ 1,469,244
Accrued payroll and payroll taxes	1,956,767	1,487,498
Refundable advances	235,541	200,583
Finance lease liabilities, current portion	2,092,584	2,115,532
Operating lease liabilities, current portion	6,945,862	4,935,985
Due to related party	5,688,251	665,407
Total Current Liabilities	19,605,568	10,874,249
Finance lease liabilities	203,614,879	192,641,452
Operating lease liabilities	75,232,214	63,625,291
Total Liabilities	298,452,661	267,140,992
Net assets, without donor restrictions	16,590,857	17,427,350
	\$ 315,043,518	\$ 284,568,342

See notes to financial statements

Zeta Charter Schools - New York City

Statements of Activities

	Year Ended June 30,	
	2025	2024
OPERATING REVENUE		
State and Local Per Pupil Operating Revenue		
General education	\$ 52,126,834	\$ 42,493,435
Special education	4,582,962	4,224,220
Universal pre-kindergarten	6,448,190	6,659,053
Facilities	15,579,468	12,639,486
Federal grants	7,836,115	6,478,870
State grants	244,473	191,395
Total Operating Revenue	86,818,042	72,686,459
EXPENSES		
Program Services		
Regular education	73,270,096	54,407,994
Special education	9,664,834	8,239,285
Total Program Services	82,934,930	62,647,279
Supporting Services		
Management and general	6,037,090	4,477,559
Total Expenses	88,972,020	67,124,838
 Surplus (Deficit) from Operations	 (2,153,978)	 5,561,621
SUPPORT, OTHER REVENUE AND LOSSES		
Contributions	1,000	25,000
Donated services	36,925	87,322
Investment income	1,095,683	608,479
Other income	333,591	179,858
Loss on disposal of property and equipment	(149,714)	(277,902)
Total Support, Other Revenue and Losses	1,317,485	622,757
 Change in Net Assets (Deficit)	 (836,493)	 6,184,378
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	17,427,350	11,242,972
 End of year	 \$ 16,590,857	 \$ 17,427,350

See notes to financial statements

Zeta Charter Schools - New York City

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	
Personnel Services Costs						
Administrative staff personnel	84	\$ 5,171,029	\$ 677,919	\$ 5,848,948	\$ 1,949,648	\$ 7,798,596
Instructional personnel	289	18,828,341	2,451,954	21,280,295	-	21,280,295
Non-instructional personnel	<u>4</u>	-	-	-	229,336	229,336
Total Personnel Services Costs	<u>377</u>	23,999,370	3,129,873	27,129,243	2,178,984	29,308,227
Fringe benefits and payroll taxes		4,827,665	633,621	5,461,286	439,562	5,900,848
Retirement		625,891	81,348	707,239	56,629	763,868
Management company fees		8,112,751	1,062,361	9,175,112	736,852	9,911,964
Legal services		-	-	-	51,672	51,672
Accounting/audit services		-	-	-	99,226	99,226
Other purchased/professional/consulting services		599,365	78,088	677,453	61,613	739,066
Building and land rent/lease		16,010,055	2,091,189	18,101,244	1,457,547	19,558,791
Repairs and maintenance		5,860	737	6,597	497	7,094
Insurance		311,146	39,962	351,108	27,984	379,092
Utilities		-	-	-	43,441	43,441
Supplies/materials		2,720,618	435,884	3,156,502	-	3,156,502
Equipment/furnishings		553,785	70,535	624,320	49,817	674,137
Staff development		1,383,271	182,458	1,565,729	126,712	1,692,441
Marketing and outreach		2,937,563	378,796	3,316,359	65,953	3,382,312
Technology		1,829,402	237,013	2,066,415	116,142	2,182,557
Food service		2,480,037	329,761	2,809,798	-	2,809,798
Student services		1,090,353	144,874	1,235,227	-	1,235,227
Office expense		539,164	70,237	609,401	42,611	652,012
Depreciation and amortization		5,120,509	681,929	5,802,438	467,275	6,269,713
Other		<u>123,291</u>	<u>16,168</u>	<u>139,459</u>	<u>14,573</u>	<u>154,032</u>
 Total Expenses		<u>\$ 73,270,096</u>	<u>\$ 9,664,834</u>	<u>\$ 82,934,930</u>	<u>\$ 6,037,090</u>	<u>\$ 88,972,020</u>

See notes to financial statements

Zeta Charter Schools - New York City

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	
Personnel Services Costs						
Administrative staff personnel	67	\$ 3,773,176	\$ 557,655	\$ 4,330,831	\$ 1,443,611	\$ 5,774,442
Instructional personnel	232	14,379,663	2,161,758	16,541,421	-	16,541,421
Non-instructional personnel	4	-	-	-	31,691	31,691
Total Personnel Services Costs	303	18,152,839	2,719,413	20,872,252	1,475,302	22,347,554
Fringe benefits and payroll taxes		3,716,159	561,523	4,277,682	332,567	4,610,249
Retirement		420,228	62,628	482,856	37,509	520,365
Management company fees		6,716,784	1,009,548	7,726,332	601,287	8,327,619
Legal services		-	-	-	101,398	101,398
Accounting/audit services		-	-	-	112,451	112,451
Other purchased/professional/consulting services		309,390	45,842	355,232	47,080	402,312
Building and land rent/lease		11,265,835	1,666,906	12,932,741	1,006,128	13,938,869
Repairs and maintenance		424,485	55,856	480,341	34,401	514,742
Insurance		268,068	38,473	306,541	21,861	328,402
Supplies/materials		1,599,740	344,390	1,944,130	37	1,944,167
Equipment/furnishings		62,713	8,964	71,677	5,593	77,270
Staff development		926,075	140,022	1,066,097	82,625	1,148,722
Marketing and outreach		1,453,893	209,192	1,663,085	27,008	1,690,093
Technology		1,201,254	176,135	1,377,389	75,557	1,452,946
Food service		2,013,843	317,894	2,331,737	-	2,331,737
Student services		755,702	118,019	873,721	-	873,721
Office expense		440,336	65,479	505,815	87,490	593,305
Depreciation and amortization		4,570,371	684,989	5,255,360	417,060	5,672,420
Other		110,279	14,012	124,291	12,205	136,496
Total Expenses		\$ 54,407,994	\$ 8,239,285	\$ 62,647,279	\$ 4,477,559	\$ 67,124,838

Zeta Charter Schools - New York City

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (836,493)	\$ 6,184,378
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,156,531	882,862
Loss on disposal of property and equipment	149,714	277,902
Amortization of right of use assets - operating leases	6,764,183	2,901,309
Amortization of right of use assets - finance leases	5,113,182	4,789,558
Changes in operating assets and liabilities		
Grants and contracts receivable	(248,132)	(1,329,598)
Prepaid expenses	(589,439)	(345,547)
Accounts payable and accrued expenses	1,217,319	650,423
Accrued payroll and payroll taxes	469,269	418,457
Refundable advances	34,958	31,022
Due to related party	5,022,844	139,405
Operating lease liabilities	<u>(6,651,809)</u>	<u>(3,940,052)</u>
Net Cash from Operating Activities	<u>11,602,127</u>	<u>10,660,119</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,712,307)	(1,668,266)
Purchases of investments	(107,100,000)	(40,000,000)
Proceeds from sale of investments	<u>96,603,430</u>	<u>27,392,249</u>
Net Cash from Investing Activities	<u>(13,208,877)</u>	<u>(14,276,017)</u>
 CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments on finance lease liabilities	<u>(2,003,357)</u>	<u>(2,062,387)</u>
 Net Change in Cash and Restricted Cash	 (3,610,107)	 (5,678,285)
 CASH AND RESTRICTED CASH		
Beginning of year	<u>5,722,023</u>	<u>11,400,308</u>
End of year	<u>\$ 2,111,916</u>	<u>\$ 5,722,023</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 9,083,388	\$ 7,510,692

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Tax Status

Zeta Charter Schools – New York City (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 2, 2018 to operate charter schools pursuant to Article 56 of the Education Law of the State of New York. The School's mission is to build and sustain high-performing schools that forge thriving communities of lifelong learners, problem solvers, and innovators. The School was granted a provisional charter on January 2, 2018 to operate Zeta Charter School – Inwood ("Inwood") and Zeta Charter School – South Bronx ("South Bronx"), valid for a term of five years and renewable upon expiration by the Board of Regents of The University of the State of New York (the "Board of Regents"). The charter was renewed in 2023 for an additional 5 year term and will expire on July 31, 2028. Classes for Inwood and South Bronx commenced in the fall of 2018. On June 6, 2019, the Board of Regents approved an amendment of the original charter to operate Zeta Charter School – Mount Eden ("Mount Eden") and Zeta Charter School – Tremont Park ("Tremont Park"). The School was granted a provisional charter on June 6, 2019 for Mount Eden and Tremont Park, valid for a term of five years and renewable upon expiration by the Board of Regents. The charter was renewed in 2025 for an additional 5 year term and will expire on July 31, 2030. Classes for Mount Eden and Tremont Park commenced in the fall of 2020. The School provided education to approximately 2,726 students in kindergarten through seventh grades during the 2024-2025 academic year.

Beginning in July 2020, the School was awarded four contracts with the New York City Department of Education ("NYCDOE") to operate four universal pre-kindergarten programs. The contracts for the Inwood, South Bronx, Mount Eden, and Tremont Park programs have been extended through June 30, 2026. The School provided education to approximately 352 students during the 2024-2025 academic year.

On December 4, 2024, the Board of Regents approved an amendment to the original charter to operate Zeta Charter School – New York City 5 ("Queens Elmhurst"), Zeta Charter School – New York City 7 ("Queens 2"), and Zeta Charter School – New York City 8 ("Queens Jamaica"). The School was granted a provisional charter on December 4, 2024 for the three new schools, valid for a term of five years and renewable upon expiration by the Board of Regents. The charter will expire in December 2029. The three new charter schools opened in the fall of 2025.

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.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

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

Net Asset 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.

Fair Value Measurements

The School follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Investments are measured at fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

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

Restricted Cash

Under the provisions of its charter, the School established a reserve fund to cover debts in the event of the School's dissolution.

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	\$ 1,811,461	\$ 5,421,628
Restricted cash	300,455	300,395
	<u>\$ 2,111,916</u>	<u>\$ 5,722,023</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 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 such assets are expensed as incurred.

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

Computers and equipment	3 years
Furniture and fixtures	7 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 ASC Topic 842. The School determines if an arrangement is a lease at inception. Operating and finance leases are included in operating and finance right-of-use ("ROU") assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the School made the short-term lease election.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

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

Leases (continued)

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Finance and operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. 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. The finance and operating lease ROU assets include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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.

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 support with donor restrictions if they are received with donor stipulations. Donor restricted contributions and grants that are made to support the School's current period activities are recorded as revenue without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Outreach

Marketing and outreach costs are expensed as incurred. Marketing and outreach expense for the years ended June 30, 2025 and 2024 was \$3,382,312 and \$1,690,093.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

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

Measure of Operations

The statements of activities report 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 contributions revenue, donated services, return on investments, loss on disposal of property and equipment, and other activities considered to be of a non-recurring nature.

Donated Services

The School recognizes contributions of services if they create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the School, and are measurable.

During the years ended June 30, 2025 and June 30, 2024 the School received legal services totaling \$36,925 and \$87,322 at no charge. The value of these services meets the criteria for recognition in the financial statements and is recorded at fair value. Fair value is estimated using market value of similar services available for purchase by the School. The legal services were used for management and general services, and the value of these services is included in legal services in the accompanying statements of functional expenses. There were no donor-imposed restrictions associated with the donated services.

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 services costs, fringe benefits and payroll taxes, and building and land rent/lease 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 authorities for years prior to June 30, 2022.

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 29, 2025.

Effective July 1, 2025, the School entered a two-year sublease for school facilities with the Network expiring on July 31, 2027.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

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 for doubtful accounts and has determined that such an allowance is not necessary.

4. Investments

The School's investments at June 30, 2025 and 2024 consisted of a U.S. Treasury securities money market fund in the amount of \$23,104,321 and \$12,607,751, categorized as level 1 in the fair value hierarchy.

5. Related Party Transactions (not disclosed elsewhere)

The School contracts with Zeta Charter Schools, Inc. (the "Network"), a Delaware nonprofit non-stock corporation, to serve as the School's charter management organization.

The School entered into an Academic and Business Service Agreement (the "Agreement") with the Network on June 22, 2018, to provide the School with educational management and operational services. The Agreement was amended and restated effective June 8, 2023 to automatically renew for four consecutive one-year periods after the initial one-year term ended on June 30, 2024, with an option to extend the Agreement for five additional years. Pursuant to the Agreement, the Network is to select and implement educational programs, coaching and professional development to leadership, manage the School's business administration and support the Board of Trustees in all governance issues.

As compensation to the Network for these services, starting July 1, 2018, the School paid an amount equal to 15% of certain revenue specified in the Agreement. For the years ended June 30, 2025 and 2024, the School incurred \$9,911,964 and \$8,327,619 in management fees to the Network.

For operating efficiency and purchasing power, the School shares certain expenses with the Network. The School also reimburses the Network for personnel service costs, fringe benefits and payroll taxes. During the years ended June 30, 2025 and 2024, the School incurred \$4,526,723 and \$2,211,882 of net operating expenses, excluding payroll and payroll related expenses, paid by the Network on behalf of the School.

At June 30, 2025 and 2024, net balance due to the Network was \$5,688,251 and \$665,407 and is payable on demand without interest. The School paid approximately \$935,000 of this balance as of the date these financial statements were available to be issued.

On July 20, 2021, the School entered into a 36-year finance sublease for school facilities with the Network and accounts for the sublease as a finance lease (see Note 11). The School has the option to extend the sublease for an additional 13 years in the event that the Network extends its lease for the same space. Lease payments commenced July 1, 2021 and expire on July 30, 2057.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

5. Related Party Transactions (not disclosed elsewhere) (continued)

On August 25, 2021, the School entered into a 48-year finance sublease for school facilities with the Network (see Note 11). Lease payments commenced July 1, 2021 and expire on July 31, 2069.

On July 1, 2022, the School entered into a 41-year finance sublease for school facilities with the Network (see Note 11). Lease payments commenced July 1, 2022 and expire on July 31, 2063.

On June 8, 2023, the School entered into two 10-year subleases for school facilities with the Network (see Note 11). Lease payments commenced in September 2023 and expire on June 30, 2033.

6. Property and Equipment

Property and equipment consists of the following at June 30:

	2025	2024
Furniture and fixtures	\$ 1,484,203	\$ 1,188,277
Computers and equipment	6,607,142	4,423,499
Leasehold improvements	141,505	124,355
	<u>8,232,850</u>	<u>5,736,131</u>
Accumulated depreciation and amortization	(4,076,012)	(2,985,355)
	<u>\$ 4,156,838</u>	<u>\$ 2,750,776</u>

Assets with a cost basis of \$215,588 and accumulated depreciation basis of \$65,874 were disposed of during the year ended June 30, 2025. Assets with a cost basis of \$792,930 and accumulated depreciation basis of \$515,028 were disposed of during the year ended June 30, 2024. Loss on disposal of property and equipment was \$149,714 and \$277,902 for the years ended June 30, 2025 and 2024.

7. 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	\$ 1,811,461	\$ 5,421,628
Investments	23,104,321	12,607,751
Grants and contracts receivable	4,077,043	3,828,911
	<u>\$ 28,992,825</u>	<u>\$ 21,858,290</u>

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

7. Liquidity and Availability of Financial Assets *(continued)*

As part of the School's liquidity management plan, the status of grants and contracts receivable are monitored regularly and any excess cash is invested in highly liquid instruments. In the event of unanticipated liquidity need, the School could draw down upon investments to cover any temporary shortfall in funding. The School will continue to rely on funding received from the NYCDOE to cover its future operating costs (see Note 10).

8. Employee Benefit Plan

The School maintains a benefit plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, it is at the School's discretion to determine the employee match each year. Employer match for years ended June 30, 2025 and 2024 was \$763,868 and \$520,365.

9. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of grants and contracts receivable, and cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. Investments are maintained at a broker which insures the balance up to \$500,000 with Securities Investor Protection Corporation ("SIPC"). The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2025 and 2024, approximately \$1,648,000 and \$5,369,000 of cash was maintained with an institution in excess of FDIC limits. At June 30, 2025 and 2024, approximately \$22,604,000 and \$12,108,000 of investments was maintained with an institution in excess of SIPC limits. Management regularly monitors the status of grants and contracts receivable and does not believe that a significant credit and market risk presently exists with regard to these receivables.

10. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the NYCDOE. For the years ended June 30, 2025 and 2024, the School received approximately 89% of its total revenue and support from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

11. Commitments

On July 20, 2021, the School entered into a 36-year finance sublease for school facilities with the Network (see Note 5) for the School's Mount Eden charter. The School has the option to extend the sublease for an additional 13 years in the event that the Network extends its lease for the same space. Lease payments commenced July 1, 2021 and expire on June 30, 2057.

On August 25, 2021, the School entered into a 48-year finance sublease for school facilities with the Network (see Note 5) for the School's Tremont Park charter. Lease payments commenced July 1, 2021 and expire on July 31, 2069.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

11. Commitments *(continued)*

On July 1, 2022, the School entered into a 41-year finance sublease for school facilities with the Network (see Note 5) for the School's South Bronx charter. Lease payments commenced July 1, 2022 and expire on July 31, 2063.

On June 8, 2023, the School entered into two 10-year operating subleases for school facilities with the Network (see Note 5). for the school's Mount Eden and Inwood charters. Lease payments commenced in September 2023 and expire on June 30, 2033.

Finance ROU assets are as follows for the years ended June 30:

	2025	2024
Finance ROU assets	\$ 210,927,557	\$ 197,973,721
Less: accumulated amortization	<u>(13,504,581)</u>	<u>(8,391,399)</u>
	<u>\$ 197,422,976</u>	<u>\$ 189,582,322</u>
Weighted average remaining lease term (years)	39.00	39.98
Weighted average discount rate	4.43%	3.85%

Operating ROU assets are as follows for the years ended June 30:

	2025	2024
Operating ROU assets	\$ 94,058,481	\$ 73,789,872
Less: accumulated amortization	<u>(10,981,423)</u>	<u>(4,217,240)</u>
	<u>\$ 83,077,058</u>	<u>\$ 69,572,632</u>
Weighted average remaining lease term (years)	16.12	18.45
Weighted average discount rate	4.39%	3.83%

Future minimum lease payments are as follows for years ending June 30:

	Finance	Operating
2026	\$ 11,086,969	\$ 10,363,031
2027	11,086,969	10,363,031
2028	11,086,969	10,363,031
2029	11,086,969	10,363,031
2030	11,086,969	10,363,031
Thereafter	<u>376,178,192</u>	<u>65,838,475</u>
Total minimum lease payments	431,613,037	117,653,630
Amounts representing interest	<u>(225,905,574)</u>	<u>(35,475,554)</u>
Present value of minimum lease payments	205,707,463	82,178,076
Current portion	<u>(2,092,584)</u>	<u>(6,945,862)</u>
Lease liabilities, less current portion	<u>\$ 203,614,879</u>	<u>\$ 75,232,214</u>

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2025 and 2024

12. Commitments *(continued)*

Components of lease cost are as follows for years ended June 30. Finance interest and operating lease costs are included in building and land rent/lease expense and finance amortization cost is included in depreciation and amortization within the accompanying statements of functional expenses:

	2025	2024
Finance amortization cost	\$ 5,113,182	\$ 4,789,557
Finance interest cost	9,083,388	7,510,692
Operating lease cost	10,475,404	6,428,178
	\$ 24,671,974	\$ 18,728,427
 Supplemental cash flows		
Cash paid for amounts in the measurement of operating lease liabilities	\$ 10,363,031	\$ 7,466,920
Operating cash flows from finance leases	8,952,631	7,397,008
Finance cash flows from finance leases	2,134,337	2,176,068
Change in operating right-of-use assets recognized due to lease modification	20,268,609	55,565,504
Change in finance right-of-use assets recognized due to lease modification	12,953,836	-

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 reimbursement. 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.

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Zeta Charter Schools - New York City

Supplementary Information

June 30, 2025

Zeta Charter Schools - New York City

Schedule of Activities by School
Year Ended June 30, 2025

	Inwood	South Bronx	Tremont Park	Mount Eden	Queens Elmhurst	Queens 2	Queens Jamaica	Total
OPERATING REVENUE								
State and Local Per Pupil Operating Revenue								
General education	\$ 15,305,140	\$ 15,629,086	\$ 10,652,437	\$ 10,540,171	\$ -	\$ -	\$ -	\$ 52,126,834
Special education	1,327,755	1,576,257	912,359	766,591	-	-	-	4,582,962
Universal pre-kindergarten	1,486,350	1,559,750	1,523,050	1,879,040	-	-	-	6,448,190
Facilities	4,531,996	4,688,966	3,182,110	3,176,396	-	-	-	15,579,468
Federal grants	2,167,619	2,505,201	1,524,045	1,471,698	62,711	38,671	66,170	7,836,115
State grants	70,784	79,637	46,596	47,456	-	-	-	244,473
Total Operating Revenue	<u>24,889,644</u>	<u>26,038,897</u>	<u>17,840,597</u>	<u>17,881,352</u>	<u>62,711</u>	<u>38,671</u>	<u>66,170</u>	<u>86,818,042</u>
EXPENSES								
Program Services								
Regular education	20,055,969	21,113,569	15,428,165	15,493,620	435,348	348,333	395,092	73,270,096
Special education	2,806,360	3,144,129	1,930,750	1,632,163	55,926	44,750	50,756	9,664,834
Total Program Services	<u>22,862,329</u>	<u>24,257,698</u>	<u>17,358,915</u>	<u>17,125,783</u>	<u>491,274</u>	<u>393,083</u>	<u>445,848</u>	<u>82,934,930</u>
Supporting Services								
Management and general	1,671,277	1,877,698	1,163,007	1,288,755	15,333	3,276	17,744	6,037,090
Total Expenses	<u>24,533,606</u>	<u>26,135,396</u>	<u>18,521,922</u>	<u>18,414,538</u>	<u>506,607</u>	<u>396,359</u>	<u>463,592</u>	<u>88,972,020</u>
Surplus (Deficit) from Operations	<u>356,038</u>	<u>(96,499)</u>	<u>(681,325)</u>	<u>(533,186)</u>	<u>(443,896)</u>	<u>(357,688)</u>	<u>(397,422)</u>	<u>(2,153,978)</u>
SUPPORT, OTHER REVENUE AND LOSSES								
Contributions	250	250	250	250	-	-	-	1,000
Donated services	30,840	2,604	1,777	1,704	-	-	-	36,925
Investment income	314,071	339,562	228,134	213,916	-	-	-	1,095,683
Other income	110,466	92,122	67,370	63,633	-	-	-	333,591
Loss on disposal of property and equipment	(48,715)	(30,343)	(34,244)	(36,412)	-	-	-	(149,714)
Total Support, Other Revenue and Losses	<u>406,912</u>	<u>404,195</u>	<u>263,287</u>	<u>243,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,317,485</u>
Change in Net Assets (Deficit)	762,950	307,696	(418,038)	(290,095)	(443,896)	(357,688)	(397,422)	(836,493)
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS								
Beginning of year	<u>5,314,548</u>	<u>9,052,583</u>	<u>1,762,700</u>	<u>1,297,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,427,350</u>
End of year	<u>\$ 6,077,498</u>	<u>\$ 9,360,279</u>	<u>\$ 1,344,662</u>	<u>\$ 1,007,424</u>	<u>\$ (443,896)</u>	<u>\$ (357,688)</u>	<u>\$ (397,422)</u>	<u>\$ 16,590,857</u>

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Inwood
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	24	\$ 1,508,710	\$ 209,270	\$ 1,717,980	\$ 572,660	\$ 2,290,640
Instructional personnel	79	5,269,721	730,954	6,000,675	-	6,000,675
Non-instructional personnel	1	-	-	-	62,539	62,539
Total Salaries and Staff	<u>104</u>	6,778,431	940,224	7,718,655	635,199	8,353,854
Fringe benefits and payroll taxes		1,354,220	187,842	1,542,062	126,902	1,668,964
Retirement		174,607	24,219	198,826	16,362	215,188
Management company fees		2,290,885	317,765	2,608,650	214,676	2,823,326
Legal services		-	-	-	18,188	18,188
Accounting/audit services		-	-	-	24,255	24,255
Other purchased/professional/consulting services		161,318	22,376	183,694	10,626	194,320
Building and land rent/lease		5,256,997	729,189	5,986,186	492,627	6,478,813
Repairs and maintenance		1,137	158	1,295	107	1,402
Insurance		76,900	10,667	87,567	7,206	94,773
Supplies/materials		843,129	141,382	984,511	-	984,511
Equipment/furnishings		125,329	17,384	142,713	11,744	154,457
Staff development		439,401	60,949	500,350	41,176	541,526
Marketing and outreach		538,017	74,627	612,644	16,028	628,672
Technology		470,773	65,300	536,073	28,886	564,959
Food service		751,195	104,197	855,392	-	855,392
Student services		348,255	48,306	396,561	-	396,561
Office expense		174,393	24,190	198,583	1,711	200,294
Depreciation and amortization		250,817	34,790	285,607	23,280	308,887
Other		20,165	2,795	22,960	2,304	25,264
 Total Expenses		<u>\$ 20,055,969</u>	<u>\$ 2,806,360</u>	<u>\$ 22,862,329</u>	<u>\$ 1,671,277</u>	<u>\$ 24,533,606</u>

See independent auditors' report

Zeta Charter Schools - New York City

Schedule of Functional Expenses - South Bronx
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	24	\$ 1,532,468	\$ 227,360	\$ 1,759,828	\$ 586,609	\$ 2,346,437
Instructional personnel	83	5,117,882	759,298	5,877,180	-	5,877,180
Non-instructional personnel	1	-	-	-	70,088	70,088
Total Salaries and Staff	<u>108</u>	<u>6,650,350</u>	<u>986,658</u>	<u>7,637,008</u>	<u>656,697</u>	<u>8,293,705</u>
Fringe benefits and payroll taxes		1,446,486	214,603	1,661,089	142,835	1,803,924
Retirement		164,636	24,426	189,062	16,257	205,319
Management company fees		2,373,144	352,084	2,725,228	232,774	2,958,002
Legal services		-	-	-	16,669	16,669
Accounting/audit services		-	-	-	24,255	24,255
Other purchased/professional/consulting services		128,791	19,108	147,899	10,931	158,830
Building and land rent/lease		4,094,429	607,457	4,701,886	404,309	5,106,195
Repairs and maintenance		487	72	559	48	607
Insurance		75,994	11,275	87,269	7,504	94,773
Supplies/materials		800,769	130,483	931,252	-	931,252
Equipment/furnishings		90,115	13,370	103,485	8,898	112,383
Staff development		415,248	61,607	476,855	41,004	517,859
Marketing and outreach		515,771	76,521	592,292	16,129	608,421
Technology		488,232	72,435	560,667	31,111	591,778
Food service		836,850	124,157	961,007	-	961,007
Student services		344,909	51,171	396,080	-	396,080
Office expense		138,453	20,541	158,994	16,218	175,212
Depreciation and amortization		2,548,359	378,079	2,926,438	251,641	3,178,079
Other		546	82	628	418	1,046
 Total Expenses		<u>\$ 21,113,569</u>	<u>\$ 3,144,129</u>	<u>\$ 24,257,698</u>	<u>\$ 1,877,698</u>	<u>\$ 26,135,396</u>

See independent auditors' report

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Tremont Park
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	17	\$ 998,429	\$ 123,605	\$ 1,122,034	\$ 374,011	\$ 1,496,045
Instructional personnel	61	4,232,760	524,014	4,756,774	-	4,756,774
Non-instructional personnel	1	-	-	-	35,752	35,752
Total Salaries and Staff	<u>79</u>	5,231,189	647,619	5,878,808	409,763	6,288,571
Fringe benefits and payroll taxes		1,028,231	127,294	1,155,525	80,542	1,236,067
Retirement		145,946	18,068	164,014	11,432	175,446
Management company fees		1,708,167	211,470	1,919,637	133,802	2,053,439
Legal services		-	-	-	1,821	1,821
Accounting/audit services		-	-	-	26,461	26,461
Other purchased/professional/consulting services		100,730	12,470	113,200	15,248	128,448
Building and land rent/lease		3,131,191	387,640	3,518,831	245,269	3,764,100
Repairs and maintenance		3,317	411	3,728	260	3,988
Insurance		78,838	9,760	88,598	6,175	94,773
Utilities		-	-	-	43,441	43,441
Supplies/materials		564,055	90,579	654,634	-	654,634
Equipment/furnishings		101,920	12,618	114,538	7,983	122,521
Staff development		246,381	30,502	276,883	19,299	296,182
Marketing and outreach		469,579	58,134	527,713	11,022	538,735
Technology		406,763	50,357	457,120	24,597	481,717
Food service		436,032	53,981	490,013	-	490,013
Student services		206,363	25,548	231,911	-	231,911
Office expense		99,216	12,283	111,499	7,606	119,105
Depreciation and amortization		1,371,486	169,789	1,541,275	107,429	1,648,704
Other		98,761	12,227	110,988	10,857	121,845
 Total Expenses		<u>\$ 15,428,165</u>	<u>\$ 1,930,750</u>	<u>\$ 17,358,915</u>	<u>\$ 1,163,007</u>	<u>\$ 18,521,922</u>

See independent auditors' report

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Mount Eden
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	19	\$ 1,131,422	\$ 117,684	\$ 1,249,106	\$ 416,368	\$ 1,665,474
Instructional personnel	66	4,207,978	437,688	4,645,666	-	4,645,666
Non-instructional personnel	1	-	-	-	60,957	60,957
Total Salaries and Staff	<u>86</u>	<u>5,339,400</u>	<u>555,372</u>	<u>5,894,772</u>	<u>477,325</u>	<u>6,372,097</u>
Fringe benefits and payroll taxes		998,728	103,882	1,102,610	89,283	1,191,893
Retirement		140,702	14,635	155,337	12,578	167,915
Management company fees		1,740,555	181,042	1,921,597	155,600	2,077,197
Legal services		-	-	-	14,994	14,994
Accounting/audit services		-	-	-	24,255	24,255
Other purchased/professional/consulting services		108,636	11,300	119,936	9,941	129,877
Building and land rent/lease		3,527,438	366,903	3,894,341	315,342	4,209,683
Repairs and maintenance		919	96	1,015	82	1,097
Insurance		79,414	8,260	87,674	7,099	94,773
Supplies/materials		506,778	72,683	579,461	-	579,461
Equipment/furnishings		131,127	13,639	144,766	11,722	156,488
Staff development		280,472	29,173	309,645	25,073	334,718
Marketing and outreach		497,415	51,738	549,153	14,053	563,206
Technology		435,148	45,261	480,409	30,273	510,682
Food service		455,960	47,426	503,386	-	503,386
Student services		190,826	19,849	210,675	-	210,675
Office expense		126,993	13,209	140,202	17,066	157,268
Depreciation and amortization		930,433	96,778	1,027,211	83,178	1,110,389
Other		<u>2,676</u>	<u>917</u>	<u>3,593</u>	<u>891</u>	<u>4,484</u>
 Total Expenses		 <u>\$ 15,493,620</u>	 <u>\$ 1,632,163</u>	 <u>\$ 17,125,783</u>	 <u>\$ 1,288,755</u>	 <u>\$ 18,414,538</u>

See independent auditors' report

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Queens Elmhurst
Year Ended June 30, 2025

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Total	Management and General	
Other purchased/professional/consulting services	\$ 36,129	\$ 4,642	\$ 40,771	\$ 4,902	\$ 45,673
Supplies/materials	3,128	402	3,530	-	3,530
Equipment/furnishings	65,869	8,460	74,329	5,924	80,253
Staff development	662	85	747	60	807
Marketing and outreach	307,318	39,480	346,798	2,903	349,701
Technology	11,200	1,439	12,639	550	13,189
Depreciation and amortization	10,613	1,363	11,976	955	12,931
Other	429	55	484	39	523
Total Expenses	\$ 435,348	\$ 55,926	\$ 491,274	\$ 15,333	\$ 506,607

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Queens 2
Year Ended June 30, 2025

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Total	Management and General	
Other purchased/professional/consulting services	\$ 31,809	\$ 4,087	\$ 35,896	\$ -	\$ 35,896
Supplies/materials	2,759	355	3,114	-	3,114
Staff development	400	51	451	36	487
Marketing and outreach	305,960	39,306	345,266	2,910	348,176
Technology	6,381	820	7,201	238	7,439
Depreciation and amortization	1,024	131	1,155	92	1,247
Total Expenses	\$ 348,333	\$ 44,750	\$ 393,083	\$ 3,276	\$ 396,359

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Queens Jamaica
Year Ended June 30, 2025

	Program Services			Supporting Services	Total
	Regular Education	Special Education	Total	Management and General	
Other purchased/professional/consulting services	\$ 31,952	\$ 4,105	\$ 36,057	\$ 9,965	\$ 46,022
Equipment/furnishings	39,425	5,064	44,489	3,546	48,035
Staff development	707	91	798	64	862
Marketing and outreach	303,503	38,990	342,493	2,908	345,401
Technology	10,905	1,401	12,306	487	12,793
Office expense	109	14	123	10	133
Depreciation and amortization	7,777	999	8,776	700	9,476
Other	714	92	806	64	870
Total Expenses	\$ 395,092	\$ 50,756	\$ 445,848	\$ 17,744	\$ 463,592

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
Zeta Charter Schools - New York City**

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 Zeta Charter Schools – New York City (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 29, 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 29, 2025

Board of Trustees
Zeta Charter Schools – New York City

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Zeta Charter Schools – New York City (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, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, 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 29, 2025

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