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**THE ACADEMY CHARTER SCHOOL**

**Financial Statements and Single Audit**

For the years ended June 30, 2020 and 2019

# THE ACADEMY CHARTER SCHOOL

## Financial Statements

June 30, 2020 and 2019

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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of The Academy Charter School, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Academy Charter School's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Academy Charter School as of June 30, 2020 and 2019, 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.

***Other matters***

***Report on supplementary information required by New York State***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 20 to 25 are required by the New York State Department of Education who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Such 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 accompanying supplementary information shown on pages 20 to 25 is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of bonds covenants calculations, shown on page 26, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, shown on page 27, as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is also 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 16, 2020 on our consideration of The Academy Charter School internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Academy Charter School internal control over financial reporting and compliance.

NChing LLP

New York, New York  
October 16, 2020

# THE ACADEMY CHARTER SCHOOL

## Statements of Financial Position

As of June 30,

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 7,309,447	\$ 2,993,403
Accounts and grants receivable - net	1,336,393	1,605,782
Due from government agencies	635,684	524,576
Prepaid expenses	<u>2,467</u>	<u>17,418</u>
Total current assets	9,283,991	5,141,179
<b>Property and equipment, net - Note 5</b>	74,368,334	67,653,014
<b>Other assets</b>		
Restricted cash and escrow reserves - Note 4	12,131,193	18,882,379
Security deposits	<u>192,090</u>	<u>182,345</u>
Total assets	<u><u>\$ 95,975,608</u></u>	<u><u>\$ 91,858,917</u></u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities</b>		
Accounts and accrued expenses payable	\$ 1,550,887	\$ 3,664,880
Accrued salaries and other payroll-related expenses	2,407,411	1,849,471
Accrued interest payable	2,371,714	2,398,694
Bonds payable - current portion - Note 6	1,075,000	910,000
Line of credit - Note 9	-	650,000
Loans payable - current portion - Note 14	2,500,000	500,000
Deferred revenue	74,681	139,920
Obligations under capital lease - Note 7	<u>-</u>	<u>13,282</u>
Total current liabilities	9,979,693	10,126,247
Loans payable - long term portion - Note 14	4,349,550	-
<b>Bonds payable (less current portion; net of unamortized deferred financing costs of \$3,755,857 for 2020 and \$3,903,240 in 2019) - Note 6</b>	<u>77,024,143</u>	<u>77,951,760</u>
Total liabilities	<u>91,353,386</u>	<u>88,078,007</u>
<b>Net assets without donor restrictions</b>		
Undesignated	4,440,331	3,600,574
Reserve - contingency	<u>181,891</u>	<u>180,336</u>
Total net assets without donor restrictions	<u>4,622,222</u>	<u>3,780,910</u>
Total liabilities and net assets without donor restrictions	<u><u>\$ 95,975,608</u></u>	<u><u>\$ 91,858,917</u></u>

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

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

For the years ended June 30,

	<u>2020</u>	<u>2019</u>
<b><u>Operating revenue and other support</u></b>		
<b>Public school districts</b>		
General education	\$ 38,730,821	\$ 29,588,720
<b>Grants, contracts and other support</b>		
Federal and state grants	2,438,018	2,943,740
Contributions and private grants	510,259	695,206
Interest and other income	559,576	994,701
Total operating revenue and other support	<u>42,238,674</u>	<u>34,222,367</u>
<b><u>Expenses</u></b>		
<b>Program expenses</b>		
Regular education	31,477,567	24,524,597
Special education	1,403,461	979,261
Food service	1,913,446	1,477,487
Total program expenses	<u>34,794,474</u>	<u>26,981,345</u>
<b>Supporting services</b>		
Management and general	<u>6,602,888</u>	<u>5,355,132</u>
Total program and supporting services expenses	<u>41,397,362</u>	<u>32,336,477</u>
Change in net assets	841,312	1,885,890
Net assets without donor restrictions - beginning of year	<u>3,780,910</u>	<u>1,895,020</u>
Net assets without donor restrictions - end of year	<u>\$ 4,622,222</u>	<u>\$ 3,780,910</u>

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

**THE ACADEMY CHARTER SCHOOL**  
**Statement of Functional Expenses**  
For the year ended June 30, 2020

	<b>Program expenses</b>				<b>Supporting</b>	<b>Total</b>
	Regular education	Special education	Food service	Total programs	Management & general	program and supporting services
<b>Salaries</b>						
Administrative staff personnel	\$ 4,093,015	\$ 356,241	\$ -	\$ 4,449,256	\$ 1,185,488	\$ 5,634,744
Instructional personnel	11,504,583	207,908	-	11,712,491	-	11,712,491
Noninstructional personnel	179,115	-	780,504	959,619	1,705,945	2,665,564
Total salaries	<u>15,776,713</u>	<u>564,149</u>	<u>780,504</u>	<u>17,121,366</u>	<u>2,891,433</u>	<u>20,012,799</u>
<b>Operating expenses</b>						
Payroll taxes and fringe benefits	3,442,825	122,968	170,359	3,736,152	631,155	4,367,307
Retirement benefits	302,668	10,822	14,974	328,464	55,472	383,936
Financial and administrative	274,483	21,959	-	296,442	267,964	564,406
Administrative	185,825	6,468	-	192,293	43,519	235,812
Marketing and recruitment	151,283	5,742	-	157,025	34,704	191,729
Insurance	622,902	22,853	-	645,755	144,094	789,849
Legal and professional	526,958	19,705	-	546,663	534,956	1,081,619
Repairs and maintenance	796,820	26,715	39,860	863,395	148,300	1,011,695
Equipment leasing and maintenance	901,552	32,047	-	933,599	210,121	1,143,720
Staff development	315,898	10,553	-	326,451	74,655	401,106
Food costs	-	-	609,399	609,399	-	609,399
Student services and related activities	516,871	138,502	-	655,373	-	655,373
Supplies and instructional materials	656,926	22,665	-	679,591	154,152	833,743
Telephone and internet services	262,044	9,448	-	271,492	60,870	332,362
Occupancy	996,981	32,463	-	1,029,444	236,892	1,266,336
Other expenses	218,541	8,061	10,751	237,353	39,745	277,098
Interest expense - facilities loans	3,353,783	268,303	178,868	3,800,954	670,757	4,471,711
Interest expense - equipment lease	5,505	440	294	6,239	1,101	7,340
Depreciation	2,058,452	70,755	102,542	2,231,749	380,891	2,612,640
Amortization	110,537	8,843	5,895	125,275	22,107	147,382
Total operating expenses	<u>15,700,854</u>	<u>839,312</u>	<u>1,132,942</u>	<u>17,673,108</u>	<u>3,711,455</u>	<u>21,384,563</u>
Total expenses	<u>\$ 31,477,567</u>	<u>\$ 1,403,461</u>	<u>\$ 1,913,446</u>	<u>\$ 34,794,474</u>	<u>\$ 6,602,888</u>	<u>\$ 41,397,362</u>

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

**THE ACADEMY CHARTER SCHOOL**  
**Statement of Functional Expenses**  
For the year ended June 30, 2019

	<b>Program expenses</b>			<b>Supporting services</b> Management & general	<b>Total program and supporting services</b>	
	Regular education	Special education	Food service			Total programs
<b>Salaries</b>						
Administrative staff personnel	\$ 2,928,942	\$ 234,316	\$ -	\$ 3,163,258	\$ 741,999	\$ 3,905,257
Instructional personnel	9,368,043	147,797	-	9,515,840	-	9,515,840
Noninstructional personnel	94,271	-	511,002	605,273	1,589,847	2,195,120
<b>Total salaries</b>	<b>12,391,256</b>	<b>382,113</b>	<b>511,002</b>	<b>13,284,371</b>	<b>2,331,846</b>	<b>15,616,217</b>
<b>Operating expenses</b>						
Payroll taxes and fringe benefits	2,730,325	84,776	111,253	2,926,354	509,642	3,435,996
Retirement benefits	232,159	7,324	9,193	248,676	42,507	291,183
Financial and administrative	337,000	29,560	-	366,560	283,427	649,987
Administrative	212,134	6,413	-	218,547	49,885	268,432
Marketing and recruitment	41,787	1,348	-	43,135	9,025	52,160
Insurance	371,569	11,707	-	383,276	82,877	466,153
Legal and professional	320,745	10,045	-	330,790	386,036	716,826
Repairs and maintenance	514,445	14,569	24,215	553,229	106,113	659,342
Equipment leasing and maintenance	652,540	20,755	-	673,295	143,703	816,998
Staff development	470,938	14,234	-	485,172	110,785	595,957
Food costs	-	-	654,810	654,810	-	654,810
Student services and related activities	513,110	131,352	-	644,462	-	644,462
Supplies and instructional materials	909,210	26,887	-	936,097	219,521	1,155,618
Telephone and internet services	136,947	4,217	-	141,164	31,479	172,643
Occupancy	1,331,243	33,255	-	1,364,498	379,490	1,743,988
Other expenses	167,718	4,724	7,955	180,397	34,785	215,182
Interest expense - facilities loans	1,866,619	149,329	99,553	2,115,501	373,324	2,488,825
Interest expense - equipment lease	40,549	3,244	2,163	45,956	8,110	54,066
Depreciation	1,179,576	35,031	51,758	1,266,365	231,632	1,497,997
Amortization	104,727	8,378	5,585	118,690	20,945	139,635
<b>Total operating expenses</b>	<b>12,133,341</b>	<b>597,148</b>	<b>966,485</b>	<b>13,696,974</b>	<b>3,023,286</b>	<b>16,720,260</b>
<b>Total expenses</b>	<b>\$ 24,524,597</b>	<b>\$ 979,261</b>	<b>\$ 1,477,487</b>	<b>\$ 26,981,345</b>	<b>\$ 5,355,132</b>	<b>\$ 32,336,477</b>

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

# THE ACADEMY CHARTER SCHOOL

## Statements of Cash Flows

For the years ended June 30,

	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 841,312	\$ 1,885,890
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,612,640	1,497,997
Amortization of debt issuance costs	147,382	139,635
Changes in operating assets and liabilities		
Accounts and grants receivable	269,389	(1,003,391)
Due from government agencies	(111,108)	(391,761)
Security deposits	(9,745)	-
Prepaid expenses	14,951	92,611
Accounts and accrued expenses payable	(2,113,992)	310,069
Accrued salaries and other payroll-related expenses	557,940	476,335
Accrued interest payable	(26,980)	563,456
Deferred revenue	(65,239)	(484,548)
Net cash provided by operating activities	<u>2,116,550</u>	<u>3,086,293</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	<u>(9,327,960)</u>	<u>(25,553,039)</u>
Net cash used in investing activities	<u>(9,327,960)</u>	<u>(25,553,039)</u>
<b>Cash flows from financing activities</b>		
Payments on bonds payable	(910,000)	(335,000)
Draws on line of credit	1,950,000	2,464,100
Payments on line of credit	(2,600,000)	(2,259,486)
Proceeds from loans	6,349,550	500,000
Obligations under capital leases	(13,282)	(262,605)
Net cash provided by financing activities	<u>4,776,268</u>	<u>107,009</u>
Net decrease in cash, cash equivalents, and restricted cash	(2,435,142)	(22,359,737)
Cash, cash equivalents, and restricted cash - beginning of year	21,875,782	44,235,519
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 19,440,640</u>	<u>\$ 21,875,782</u>
<b>Supplemental cash flow disclosures</b>		
Interest paid	<u>\$ 5,623,923</u>	<u>\$ 5,087,870</u>
Interest capitalized	<u>\$ 1,125,233</u>	<u>\$ 2,111,521</u>
Reconciliation of cash, cash equivalents and restricted cash balances:		
Cash and cash equivalents	<u>\$ 7,309,447</u>	<u>\$ 2,993,403</u>
Restricted cash and escrow reserves:		
Restricted cash – contingency	181,891	180,336
Restricted cash – held by trustee	3,268,616	8,521,806
Interest reserve	1,717,263	3,151,467
Debt Service	6,874,270	6,953,849
Repairs and replacement	89,153	74,921
Total restricted cash and escrow reserves	<u>12,131,193</u>	<u>18,882,379</u>
Total cash, cash equivalents and restricted cash	<u>\$ 19,440,640</u>	<u>\$ 21,875,782</u>

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

## THE ACADEMY CHARTER SCHOOL

### Notes to the Financial Statements

June 30, 2020 and 2019

#### Note 1 Organization

The Academy Charter School (“TACS”), a 501(c)(3) tax-exempt organization, is a public charter school located in Hempstead, New York. The School opened in February 2009 and commenced operating classes for kindergarten through second grade in September 2009, and added third through eleventh grade classes in 2010 through 2019. In fiscal year 2020, TACS added twelfth grade reaching full capacity during the 2019-20 school year. The TACS charter was renewed in 2019 for an additional five years. The mission of TACS 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.

Effective December 2017, The Academy Charter School – Uniondale location received its charter approval from The State University of New York Charter School Institute. In September 2018, The Academy Charter School – Uniondale began to operate classes from kindergarten to second grade and added a third grade in 2019-20 school year.

The Academy Charter School, Hempstead location, is referred to as “The Academy – Hempstead” and The Academy Charter School – Uniondale is referred to as “The Academy – Uniondale”. Collectively, The Academy – Hempstead and The Academy – Uniondale will be referred to as “The School”.

#### Note 2 Summary of significant accounting policies

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

**Financial statement presentation.** The School 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 the School.

**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 the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

## THE ACADEMY CHARTER SCHOOL

### Notes to the Financial Statements

June 30, 2020 and 2019

#### Note 2 Summary of significant accounting policies – (continued)

**Reclassifications.** Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financials. These reclassifications have no effect on the changes in net assets.

**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.

**Cash and cash equivalents.** The School considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

**Revenue recognition.** The School recognizes revenue from the state and local governments based on the School'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 Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

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 refundable advances. 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.

**Accounts and grants receivable.** Accounts and grants receivables are recorded at net realizable value. The allowance for doubtful accounts is the School'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. Allowances recorded at June 30, 2020 and 2019 are \$168,567 and \$170,210, respectively.

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

**Refundable advances.** Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statements of financial position.

**Donated goods and services.** The School receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statement of activities, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

## THE ACADEMY CHARTER SCHOOL

### Notes to the Financial Statements

June 30, 2020 and 2019

#### Note 2 Summary of significant accounting policies – (continued)

**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. The School capitalizes additions and significant improvements in excess of \$500. 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	39 years
Building 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:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and benefits	Direct allocation; then time and effort
Legal and professional fees	Direct allocation; then time and effort
Repairs and maintenance	Time and effort

**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. Amortization expenses for the years ended June 30, 2020 and 2019 was \$147,382 and \$139,635, respectively.

## THE ACADEMY CHARTER SCHOOL

### Notes to the Financial Statements

June 30, 2020 and 2019

#### Note 2 Summary of significant accounting policies – (continued)

**Income taxes.** The School is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements. Periods ending June 30, 2017 and subsequent remain subject to examination by the taxing authorities.

**New accounting pronouncements.** On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) – *Restricted Cash*. The ASU amends FASB ASC 230-10-45-4 to require that restricted cash and cash equivalents be included in the total cash and cash equivalents at the beginning and end of the period for which changes are shown in the statement of cash flows. The ASU clarifies that transfers between cash and cash equivalents and restricted cash and cash equivalents are not part of an entity's operating, investing, and financing activities and should not be reported as cash flow activities in the statement of cash flows. The School has adopted ASU 2016-18 and has adjusted the presentation of cash flow statements accordingly. The ASU has been applied to all periods presented.

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides not-for-profit organizations with new guidance on characterizing grants and similar contracts as either reciprocal or nonreciprocal transactions, and it provides a framework for distinguishing between conditional and unconditional contributions. The ASU has been applied to all periods presented.

**THE ACADEMY CHARTER SCHOOL****Notes to the Financial Statements**

June 30, 2020 and 2019

**Note 3 Liquidity and availability**

At June 30, 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,309,447	\$ 2,993,403
Accounts and grants receivable – net	1,336,393	1,605,782
Due from government agencies	<u>635,684</u>	<u>524,576</u>
Total financial assets available for general expenditures within one year	<u>\$ 9,281,524</u>	<u>\$ 5,123,761</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. The School structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the School may borrow from the available credit line.

**Note 4 Restricted cash and escrow reserves**

Restricted cash and escrow reserve accounts as of June 30, 2020 and 2019 were as follows:

	<u>2020</u>		
	<u>The Academy - Hempstead</u>	<u>The Academy - Uniondale</u>	<u>Total</u>
Restricted cash – contingency	\$ 80,782	\$ 101,109	\$ 181,891
Restricted cash – held by trustee	2,600,927	667,689	3,268,616
Interest reserve	996,248	721,015	1,717,263
Debt Service	5,132,795	1,741,475	6,874,270
Repairs and replacement	<u>89,153</u>	<u>-</u>	<u>89,153</u>
Total	<u>\$ 8,899,905</u>	<u>\$ 3,231,288</u>	<u>\$ 12,131,193</u>
	<u>2019</u>		
	<u>The Academy - Hempstead</u>	<u>The Academy - Uniondale</u>	<u>Total</u>
Restricted cash – contingency	\$ 80,092	\$ 100,244	\$ 180,336
Restricted cash – held by trustee	6,043,321	2,478,485	8,521,806
Interest reserve	996,357	2,155,110	3,151,467
Debt Service	5,185,394	1,768,455	6,953,849
Repairs and replacement	<u>74,921</u>	<u>-</u>	<u>74,921</u>
Total	<u>\$ 12,380,085</u>	<u>\$ 6,502,294</u>	<u>\$ 18,882,379</u>

**THE ACADEMY CHARTER SCHOOL**  
**Notes to the Financial Statements**  
June 30, 2020 and 2019

**Note 5 Property and equipment**

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

	2020		
	The Academy - Uniondale	The Academy - Hempstead	Total
Land	\$ -	\$ 790,000	\$ 790,000
Building	16,313,429	53,872,158	70,185,587
Building improvements	127,330	4,119,523	4,246,853
Furniture and fixtures	141,152	2,255,431	2,396,583
Machinery and equipment	5,795	5,000	10,795
Educational equipment	-	276,934	276,934
Computer and office equipment	339,423	3,348,036	3,687,459
Construction in progress	2,381,388	271,712	2,653,100
Total property and equipment	19,308,517	64,938,794	84,247,311
Less: accumulated depreciation	(809,599)	(9,069,378)	(9,878,977)
Total property and equipment, net	<u>\$ 18,498,918</u>	<u>\$ 55,869,416</u>	<u>\$ 74,368,334</u>
	2019		
	The Academy - Uniondale	The Academy - Hempstead	Total
Land	\$ -	\$ 790,000	\$ 790,000
Building	10,590,055	17,507,416	28,097,471
Building improvements	95,163	3,955,414	4,050,577
Furniture and fixtures	112,380	2,129,463	2,241,843
Machinery and equipment	5,795	5,000	10,795
Computer and office equipment	256,029	2,762,992	3,019,021
Construction in progress	4,127,777	32,581,868	36,709,645
Total property and equipment	15,187,199	59,732,153	74,919,352
Less: accumulated depreciation	(291,314)	(6,975,024)	(7,266,338)
Total property and equipment, net	<u>\$ 14,895,885</u>	<u>\$ 52,757,129</u>	<u>\$ 67,653,014</u>

## **THE ACADEMY CHARTER SCHOOL**

### **Notes to the Financial Statements**

June 30, 2020 and 2019

#### **Note 6 Bonds payable**

On March 23, 2011, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$10,505,000 in Tax-Exempt Education Revenue Bonds (the “Series 2011A Bonds”), bearing interest at 8.25% per annum, with principal due at varying amounts annually through maturity on February 1, 2041, as well as \$235,000 in Taxable Education Revenue Bonds (the “Series 2011B Bonds”), bearing interest at 8% per annum. The Series 2011B Bonds were repaid fully on February 1, 2014. The proceeds of the bonds were used to purchase and renovate a two-story building at Hempstead, New York, to be used as classroom, cafeteria, kitchen, and administration space for The Academy – Hempstead.

On December 23, 2013, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$12,970,000 in Tax-Exempt Education Revenue Bonds (the “Series 2013A Bonds”), bearing interest at 7.65% per annum, with principal due at varying amounts annually through maturity on February 1, 2044, as well as \$545,000 in Taxable Education Revenue Bonds (the “Series 2013B Bonds”), bearing interest rate at 7.25% per annum, with principal due at varying amounts annually through maturity on February 1, 2019. The proceeds of the bonds were used to purchase and renovate a four-story building at Hempstead, New York, to be used as classroom and administration space for The Academy – Hempstead.

On August 10, 2017, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$35,900,000 in Tax-Exempt Education Revenue Bonds (the “Series 2017A Bonds”), bearing interest from 5.45% to 6.24% per annum, with principal due at varying amounts annually through maturity on February 1, 2047, as well as \$2,685,000 in Taxable Education Revenue Bonds (the “Series 2017B Bonds”), bearing interest rate at 6.59%% per annum, with principal due at varying amounts annually through maturity on February 1, 2024. The proceeds of the bonds were used for the acquisition, construction, equipment, and furnishing of an approximately 112,500 square foot building for The Academy – Hempstead.

On June 26, 2018, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$19,520,000 in Tax-Exempt Education Revenue Bonds (the “Series 2018A Bonds”), bearing interest from 6.47% to 7.24% per annum, with principal due at varying amounts annually through maturity on February 1, 2048, as well as \$1,945,000 in Taxable Education Revenue Bonds (the “Series 2018B Bonds”), bearing interest rate at 7.24%% per annum, with principal due at varying amounts annually through maturity on February 1, 2027. The proceeds of the bonds were used for the acquisition and renovation of building for The Academy – Uniondale.

**THE ACADEMY CHARTER SCHOOL**  
**Notes to the Financial Statements**  
June 30, 2020 and 2019

**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>	The Academy - Uniondale	The Academy - Hempstead	Total
2021	\$ 100,000	\$ 975,000	\$ 1,075,000
2022	295,000	1,045,000	1,340,000
2023	315,000	1,125,000	1,440,000
2024	340,000	1,200,000	1,540,000
2025	365,000	1,285,000	1,650,000
Thereafter	<u>20,050,000</u>	<u>54,760,000</u>	<u>74,810,000</u>
Total	21,465,000	60,390,000	81,855,000
Less: current portion	(100,000 )	(975,000 )	(1,075,000 )
Less: unamortized debt issuance costs	<u>(1,046,492 )</u>	<u>(2,709,365 )</u>	<u>(3,755,857 )</u>
Total long-term bonds payable	<u>\$ 20,318,508</u>	<u>\$ 56,705,635</u>	<u>\$ 77,024,143</u>

As of June 30, 2020, the School was in compliance with all debt covenants pursuant to the bond agreements.

**Note 7 Capital Leases**

In August and September 2014, The Academy - Hempstead entered into five capital lease agreements for furniture and fixtures, and computer equipment. The leases, totaling \$1,421,144, require monthly payments of \$30,230, including interest at 8.25%, and mature in September 2018 and August 2019. The remaining lease payable balance as of June 30, 2020 and 2019 was \$0 and \$13,282, respectively.

**Note 8 Concentrations of credit and revenue risks**

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The management of the School believes it is not exposed to significant credit risk on cash and cash equivalents.

For the years ended June 30, 2020 and 2019, the School received approximately 92% and 87% of its operating revenue, which is subject to specific requirements, from per pupil funding primarily from the Districts of Hempstead and Uniondale, respectively. Additionally, the School's grants receivable consists of approximately 100% from the New York State Education Department and one other organization.

**THE ACADEMY CHARTER SCHOOL**  
**Notes to the Financial Statements**  
June 30, 2020 and 2019

**Note 9 Line of credit**

In June 2020, the School has obtained a revolving line of credit with a financial institution in the amount of \$1,500,000. The line of credit bears interest of 5.75% and is due and payable upon demand by the bank. Previously, the School had a \$650,000 unsecured revolving line of credit, with an interest rate of 5.75% per annum with a bank with the total amount available of \$650,000. That line of credit was paid off and closed during the year ended June 30, 2020. As of June 30, 2020 and 2019, the outstanding line of credit total balances were \$0 and \$650,000, respectively.

**Note 10 Contingencies**

The School participates in several federal and state programs. These programs require that the School 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, it should not, in the opinion of the management, 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.

The School is party to various legal proceedings incidental to their activities. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the School. In the opinion of management and legal counsel, all such matters are without merit or are of such kind or involve such amounts that would not have a significant effect on the financial position or results of operations of the School, if disposed of unfavorably.

**Note 11 Retirement plan**

The School offers a 401(k) plan for all qualifying employees. Employees are eligible for 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. The School matches an employee's contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2020 and 2019, the School's matching contributions were \$383,936 and \$291,183, respectively. Such 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.

## **THE ACADEMY CHARTER SCHOOL**

### **Notes to the Financial Statements**

June 30, 2020 and 2019

#### **Note 12 Accrued salary and other payroll-related expenses**

Accrued payroll and other payroll-related expenses consist of amounts earned by the staff during the school year, but paid over the summer months, including the related payroll taxes and benefits. As of June 30, 2020 and 2019, accrued payroll amounted to \$2,032,062 and \$1,596,416, respectively. The other payroll-related accruals as of June 30, 2020 and 2019 amounted to \$375,349 and \$253,055, respectively.

#### **Note 13 Ground lease agreement**

The School assumed a ground lease for the land on which the acquired Uniondale property is located. The ground lease is a 99-year lease at the time it was originated in December of 1980. The School has assumed the lease in 2018 until the end of lease term in 2079. The lease payments are approximately \$68,000 per annum for the next 10 years.

#### **Note 14 Loans payable**

To provide relief efforts to nonprofits and other small businesses, the government extended Paycheck Protection Program to assist these businesses with payroll and to satisfy certain utilities pursuant to the Coronavirus Aid Relief and Economic Security Act (“CARES Act”). In April 2020, the School obtained a \$4,349,550 term loan under the Paycheck Protection Program which is administered by the Small Business Administration. The loan accrues interest at 1% per annum and matures on April 15, 2022. Payments are not required to for the first six months after the funding of the loan. The School is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

In August 2018, the School obtained a loan from Charter School Growth Fund (“CSGF”) in the amount of \$500,000 for the financial management and financing of the Uniondale 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, 2028. The loan is recorded as current due to the fact that the loan is probable to be forgiven. In July 2020, the School met the terms of forgiveness of 100% of the loan and it was converted into a grant, and payments of principal and interest are no longer due.

In May 2020, the School obtained a short-term bridge loan from Charter School Growth Fund (“CSGF”) in the amount of \$2,000,000 to assist with cashflow for the preconstruction costs incurred while awaiting financing from the 2020 Series Bonds issuance. The loan bears interest of 2.75% per annum and has a maturity date of July 14, 2020. The loan has been paid off in full on maturity date, including the interest accrued.

Total loans outstanding at June 30, 2020 and 2019 were \$6,849,550 and \$500,000, respectively.

**THE ACADEMY CHARTER SCHOOL**  
**Notes to the Financial Statements**  
June 30, 2020 and 2019

**Note 15 Potential impact of the pandemic**

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) a global health emergency, an acknowledgement of the risk the virus poses to countries beyond its origin in China and of the need for a more coordinated international response to the outbreak. COVID-19 was declared a pandemic in March 2020 by the World Health Organization.

The National Bureau of Economic Research declared on June 8, 2020 that the recession began in February 2020.

As a result of the pandemic, the School began the 2020-2021 year with a hybrid learning model which allows some students partial attendance in person and partial remote learning while other students opted for 100% remote learning. The ultimate effect of COVID-19 on the School and its future operations cannot be presently determined.

**Note 16 Subsequent events**

Management has evaluated events and transactions for potential recognition or disclosure through October 16, 2020, which is the date the financial statements were available to be issued and has concluded that, except as set forth below and discussed in Note 14, no subsequent events occurred that require an adjustment to or disclosure in the financial statements.

On July 1, 2020, The Town of Hempstead Local Development Corporation provided financing through the issuance of \$35,860,000 in Tax-Exempt Education Revenue Bonds (the “Series 2020A Bonds”), bearing interest from 4.76% to 5.73% per annum, with principal due at varying amounts annually through maturity on February 1, 2050, as well as \$22,135,000 in Tax-Exempt Education Revenue Refunding Bonds (the “Series 2020B Bonds”), bearing interest rate from 4.76% to 5.66% per annum, with principal due at varying amounts annually through maturity on February 1, 2044, and a \$945,000 Taxable Education Revenue Bond (the “Series 2020C Bonds”), bearing interest at 6.00% due at varying amounts annually through maturity on February 1, 2025. The proceeds of the bonds are to be used to finance and refinance the costs of certain charter school facilities for both Hempstead and Uniondale campuses, Additionally, the funds to be used for construction, equipping and furnishing of a 30,000 square foot, 3 story building for the Hempstead elementary school annex; interior renovation, equipping and furnishing of a Uniondale campus building; and a construction of additional 40,000 square foot facilities at the Uniondale campus.

**THE ACADEMY CHARTER SCHOOL**  
**Statements of Financial Position: The Academy – Hempstead**  
As of June 30,

	2020	2019
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,787,466	\$ 2,973,819
Accounts and grants receivable - net	1,127,758	1,087,162
Due from government agencies	339,221	185,812
Due from The Academy - Uniondale	243,448	275,586
Prepaid expenses	2,467	17,418
	<hr/>	<hr/>
Total current assets	8,500,360	4,539,797
<b>Property and equipment, net</b>	55,869,416	52,757,129
<b>Other assets</b>		
Restricted cash and escrow reserves	8,899,905	12,380,085
Security deposits	162,165	152,420
	<hr/>	<hr/>
Total assets	<u>\$ 73,431,846</u>	<u>\$ 69,829,431</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities</b>		
Accounts and accrued expenses payable	\$ 1,326,803	\$ 2,931,753
Accrued salaries and other payroll-related expenses	2,128,472	1,849,471
Accrued interest payable	1,771,406	1,798,386
Bonds payable - current portion	975,000	910,000
Line of credit	-	650,000
Loans payable - current portion	2,500,000	500,000
Deferred revenue	74,681	139,920
Obligations under capital lease - current portion	-	13,282
	<hr/>	<hr/>
Total current liabilities	8,776,362	8,792,812
Loans payable - long term portion - Note 14	4,349,550	-
<b>Bonds payable (less current portion; net of unamortized deferred financing costs of \$2,709,365 in 2020 and \$2,819,373 in 2019)</b>	<hr/>	<hr/>
	56,705,635	57,570,627
Total liabilities	<hr/>	<hr/>
	69,831,547	66,363,439
<b>Net assets without donor restrictions</b>		
Undesignated	3,418,408	3,285,656
Reserve - contingency	181,891	180,336
	<hr/>	<hr/>
Total net assets without donor restrictions	3,600,299	3,465,992
Total liabilities and net assets without donor restrictions	<u>\$ 73,431,846</u>	<u>\$ 69,829,431</u>

**THE ACADEMY CHARTER SCHOOL**  
**Statements of Activities: The Academy – Hempstead**  
For the years ended June 30,

	<u>2020</u>	<u>2019</u>
<b><u>Operating revenue and other support</u></b>		
<b>Public school districts</b>		
General education	\$ 33,647,136	\$ 26,045,182
<b>Grants, contracts and other support</b>		
Federal and state grants	1,869,593	1,813,405
Contributions and private grants	487,092	695,206
Interest and other income	118,737	342,600
Total operating revenue and other support	<u>36,122,558</u>	<u>28,896,393</u>
<b><u>Expenses</u></b>		
<b>Program expenses</b>		
Regular education	27,395,509	20,991,015
Special education	1,294,357	867,545
Food service	1,633,109	1,218,043
Total program expenses	<u>30,322,975</u>	<u>23,076,603</u>
<b>Supporting Services</b>		
Management and general	<u>5,665,276</u>	<u>4,259,836</u>
Total program and supporting services expenses	<u>35,988,251</u>	<u>27,336,439</u>
Change in net assets	134,307	1,559,954
Net assets without donor restrictions - beginning of year	<u>3,465,992</u>	<u>1,906,038</u>
Net assets without donor restrictions - end of year	<u><u>\$ 3,600,299</u></u>	<u><u>\$ 3,465,992</u></u>

**THE ACADEMY CHARTER SCHOOL**

**Statement of Functional Expenses: The Academy – Hempstead**

For the year ended June 30, 2020

	<b>Program expenses</b>				<b>Supporting services</b>	<b>Total program and supporting services</b>
	<b>Regular Education</b>	<b>Special Education</b>	<b>Food Service</b>	<b>Total Programs</b>	<b>Management &amp; General</b>	
<b>Salaries</b>						
Administrative staff personnel	\$ 3,698,129	\$ 321,698	\$ -	\$ 4,019,827	\$ 1,070,220	\$ 5,090,047
Instructional personnel	10,021,311	204,699	-	10,226,010	-	10,226,010
Noninstructional personnel	149,838	-	678,592	828,430	1,432,825	2,261,255
<b>Total salaries</b>	<b>13,869,278</b>	<b>526,397</b>	<b>678,592</b>	<b>15,074,267</b>	<b>2,503,045</b>	<b>17,577,312</b>
Payroll taxes and fringe benefits	3,018,771	114,575	147,702	3,281,048	544,810	3,825,858
Retirement	266,002	10,096	13,015	289,113	48,006	337,119
Financial and administrative	217,483	17,399	-	234,882	200,084	434,966
Administrative	153,604	5,830	-	159,434	35,237	194,671
Marketing and recruitment	151,283	5,742	-	157,025	34,704	191,729
Insurance	579,488	21,994	-	601,482	132,935	734,417
Legal and professional	510,682	19,383	-	530,065	512,366	1,042,431
Repairs and maintenance	602,633	22,872	29,485	654,990	108,760	763,750
Equipment leasing and maintenance	782,040	29,682	-	811,722	179,401	991,123
Staff development	236,748	8,986	-	245,734	54,310	300,044
Food costs	-	-	502,844	502,844	-	502,844
Student services and activities	483,772	129,339	-	613,111	-	613,111
Supplies and instructional materials	532,024	20,193	-	552,217	122,047	674,264
Telephone and internet services	234,643	8,906	-	243,549	53,827	297,376
Occupancy	700,977	26,605	-	727,582	160,805	888,387
Other expenses	205,630	7,805	10,061	223,496	37,116	260,612
Interest expense - facilities loans	3,109,901	248,792	165,861	3,524,554	621,981	4,146,535
Interest expense - equipment lease	5,505	440	294	6,239	1,101	7,340
Depreciation	1,652,539	62,721	80,855	1,796,115	298,240	2,094,355
Amortization	82,506	6,600	4,400	93,506	16,501	110,007
<b>Total operating expenses</b>	<b>13,526,231</b>	<b>767,960</b>	<b>954,517</b>	<b>15,248,708</b>	<b>3,162,231</b>	<b>18,410,939</b>
<b>Total expenses</b>	<b>\$ 27,395,509</b>	<b>\$ 1,294,357</b>	<b>\$ 1,633,109</b>	<b>\$ 30,322,975</b>	<b>\$ 5,665,276</b>	<b>\$ 35,988,251</b>

**THE ACADEMY CHARTER SCHOOL**  
**Statements of Financial Position: The Academy – Uniondale**  
As of June 30,

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 521,981	\$ 19,584
Accounts and grants receivable - net	208,635	518,620
Due from government agencies	<u>296,463</u>	<u>338,764</u>
Total current assets	1,027,079	876,968
<b>Property and equipment, net</b>	18,498,918	14,895,885
<b>Other assets</b>		
Restricted cash and escrow reserves	3,231,288	6,502,294
Security deposits	<u>29,925</u>	<u>29,925</u>
Total assets	<u>\$ 22,787,210</u>	<u>\$ 22,305,072</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities</b>		
Accounts and accrued expenses payable	\$ 224,084	\$ 733,127
Accrued salaries and other payroll-related expenses	278,939	-
Due to The Academy - Hempstead	243,448	275,586
Accrued interest payable	600,308	600,308
Bonds payable - current portion	<u>100,000</u>	<u>-</u>
Total current liabilities	1,446,779	1,609,021
<b>Bonds payable (less current portion; net of unamortized deferred financing costs of \$1,046,492 in 2020 and \$1,083,867 in 2019)</b>	<u>20,318,508</u>	<u>20,381,133</u>
Total liabilities	21,765,287	21,990,154
<b>Net assets without donor restrictions</b>	<u>1,021,923</u>	<u>314,918</u>
Total liabilities and net assets without donor restrictions	<u>\$ 22,787,210</u>	<u>\$ 22,305,072</u>

**THE ACADEMY CHARTER SCHOOL**  
**Statements of Activities: The Academy – Uniondale**  
For the years ended June 30,

	<u>2020</u>	<u>2019</u>
<b><u>Operating revenue and other support</u></b>		
<b>Public school districts</b>		
General education	\$ 5,083,685	\$ 3,543,538
<b>Grants, contracts and other support</b>		
Federal and state grants	568,425	1,130,335
Contributions and private grants	23,167	-
Interest and other income	440,839	652,101
Total operating revenue and other support	<u>6,116,116</u>	<u>5,325,974</u>
<b><u>Expenses</u></b>		
<b>Program Expenses</b>		
Regular education	4,082,058	3,533,582
Special education	109,104	111,716
Food service	280,337	259,444
Total program expenses	4,471,499	3,904,742
<b>Supporting Services</b>		
Management and general	<u>937,612</u>	<u>1,095,296</u>
Total program and supporting services expenses	<u>5,409,111</u>	<u>5,000,038</u>
Change in net assets	707,005	325,936
Net assets without donor restrictions - beginning of year	<u>314,918</u>	<u>(11,018)</u>
Net assets without donor restrictions - end of year	<u>\$ 1,021,923</u>	<u>\$ 314,918</u>

**THE ACADEMY CHARTER SCHOOL**  
**Statement of Functional Expenses: The Academy – Uniondale**  
For the year ended June 30, 2020

	<b>Program expenses</b>				<b>Supporting services</b>	Total program and supporting services
	Regular Education	Special Education	Food Service	Total Programs	Management & General	
<b>Salaries</b>						
Administrative staff personnel	\$ 394,886	\$ 34,543	\$ -	\$ 429,429	\$ 115,268	\$ 544,697
Instructional personnel	1,483,272	3,209	-	1,486,481		1,486,481
Noninstructional personnel	29,277	-	101,912	131,189	273,120	404,309
<b>Total salaries</b>	<b>1,907,435</b>	<b>37,752</b>	<b>101,912</b>	<b>2,047,099</b>	<b>388,388</b>	<b>2,435,487</b>
Payroll taxes and fringe benefits	424,054	8,393	22,657	455,104	86,345	541,449
Retirement	36,666	726	1,959	39,351	7,466	46,817
Financial and administrative	57,000	4,560	-	61,560	67,880	129,440
Administrative	32,221	638	-	32,859	8,282	41,141
Insurance	43,414	859	-	44,273	11,159	55,432
Legal and professional	16,276	322	-	16,598	22,590	39,188
Repairs and maintenance	194,187	3,843	10,375	208,405	39,540	247,945
Equipment leasing and maintenance	119,512	2,365	-	121,877	30,720	152,597
Staff development	79,150	1,567	-	80,717	20,345	101,062
Food costs	-	-	106,555	106,555	-	106,555
Student services and activities	33,099	9,163	-	42,262	-	42,262
Supplies and instructional materials	124,902	2,472	-	127,374	32,105	159,479
Telephone and internet services	27,401	542	-	27,943	7,043	34,986
Occupancy	296,004	5,858	-	301,862	76,087	377,949
Other expenses	12,911	256	690	13,857	2,629	16,486
Interest expense - facilities loans	243,882	19,511	13,007	276,400	48,776	325,176
Depreciation	405,913	8,034	21,687	435,634	82,651	518,285
Amortization	28,031	2,243	1,495	31,769	5,606	37,375
<b>Total operating expenses</b>	<b>2,174,623</b>	<b>71,352</b>	<b>178,425</b>	<b>2,424,400</b>	<b>549,224</b>	<b>2,973,624</b>
<b>Total expenses</b>	<b>\$ 4,082,058</b>	<b>\$ 109,104</b>	<b>\$ 280,337</b>	<b>\$ 4,471,499</b>	<b>\$ 937,612</b>	<b>\$ 5,409,111</b>

**THE ACADEMY CHARTER SCHOOL**  
**Other Supplementary Information – Schedule of Bonds Covenants Calculations**  
For the years ended June 30, 2020

	<u>Minimum Requirement</u>	<u>Actual</u>
Debt service coverage ratio	1.15	1.50
Days cash on hand	35	69

**The debt service coverage ratio is calculated as follows:**

Increase in net assets	\$ 841,312		
Add back: Interest expense	4,471,711		
Depreciation and amortization	<u>2,760,023</u>		
Net revenues available for debt service	<u>\$ 8,073,046</u>		
Debt service payments – bonds			
Interest expense	\$ 4,471,711		
Principal	<u>910,000</u>		
Total current debt service – bonds	<u>\$ 5,381,711</u>		
Net revenues available for debt service	<u>\$ 8,073,046</u>	=	1.50
Total current debt service – bonds	<u>\$ 5,381,711</u>		

**The days cash on hand is calculated as follows:**

Total expenses	\$ 41,397,362		
Less: Depreciation and amortization	<u>(2,760,023)</u>		
Net expenses	38,637,339		
Days	<u>365</u>		
Cash used per day	<u>\$ 105,856</u>		
Cash at year end	<u>\$ 7,309,447</u>	=	69
Cash used per day	<u>\$ 105,856</u>		

**THE ACADEMY CHARTER SCHOOL**  
**Schedule of Expenditures of Federal Awards**  
For the year ended June 30, 2020

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA #</u>	<u>Pass-through grantor and number</u>	<u>Federal expenditures</u>
<b>Child Nutrition Cluster:</b>			
United States Department of Agriculture			
School Breakfast Program	10.553	NYS Education Department, 280201860934	\$ 300,656
National School Lunch Program	10.555	NYS Education Department, 280201860934	925,337
Summer Food Service Program	10.559	NYS Education Department, 280201860934	88,685
Total United States Department of Agriculture			<u>1,314,678</u>
<b>Total Child Nutrition Cluster</b>			<u>1,314,678</u>
United States Department of Education			
Title I Grants to Local Education Agencies	84.010A	NYS Education Department, 0021-20-4495	354,990
Title I Grants to Local Education Agencies	84.010A	NYS Education Department, 0021-20-5465	42,393
Total Title I Grants to Local Education Agencies			<u>397,383</u>
English Language Acquisition State Grants	84.365A	NYS Education Department, 0149-20-4495	21,903
English Language Acquisition State Grants	84.365A	NYS Education Department, 0293-20-4495	25,241
Total English Language Acquisition State Grants			<u>47,144</u>
Supporting Effective Instruction State Grants	84.367A	NYS Education Department, 0147-20-4495	33,829
Supporting Effective Instruction State Grants	84.367A	NYS Education Department, 0147-20-5465	8,226
Total Supporting Effective Instruction State Grants			<u>42,055</u>
Student Support and Academic Enrichment program	84.424A	NYS Education Department, 0204-20-4495	19,159
Student Support and Academic Enrichment program	84.424A	NYS Education Department, 0204-20-5465	10,000
Total Student Support and Academic Enrichment program			<u>29,159</u>
Charter Schools Program (CSP)	84.282A	NYS Education Department, 0089-19-1000	489,634
Charter Schools Program (CSP)	84.282A	NYS Education Department, 0089-20-1000	310,366
Total Charter Schools (CSP)			<u>800,000</u>
Total United States Department of Education			<u>1,315,741</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,630,419</u>

The accompanying notes are an integral part of this schedule.

**THE ACADEMY CHARTER SCHOOL**  
**Notes to the Schedule of Expenditures of Federal Awards**  
For the year ended June 30, 2020

**Note 1 Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of The Academy Charter School for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of The Academy Charter School, it is not intended to, and does not, present the financial position, changes in net position or cash flows of The Academy Charter School.

**Note 2 Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The amounts reported as expenditures in this Schedule may differ from certain financial reports submitted to federal funding agencies, due to those reports being submitted on either the cash or modified cash basis of accounting.

**Note 3 Indirect Cost Rate**

The Academy Charter School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditors' 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  
Hempstead, 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, which comprise the statement of financial position as of June 30, 2020, 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 16, 2020.

***Internal control over financial reporting***

In planning and performing our audit of the financial statements, we considered The Academy Charter School's internal control over financial reporting (internal control) to determine the 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 Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of The Academy Charter School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and other matters***

As part of obtaining reasonable assurance about whether The Academy Charter School’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.

NChing LLP

New York, New York  
October 16, 2020



**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

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

***Report on Compliance for Each Major Federal Program***

We have audited The Academy Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Academy Charter School's major federal programs for the year ended June 30, 2020. The Academy Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of The Academy Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Academy Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Academy Charter School's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, The Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control over Compliance**

Management of The Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Academy Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Academy Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

NChing LLP

New York, New York  
October 16, 2020

**THE ACADEMY CHARTER SCHOOL**  
**Schedule of Findings and Questioned Costs**  
 For the year ended June 30, 2020

**Schedule I – Summary of auditors’ results**

**Financial statements**

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

**Federal awards**

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not Considered to be material weakness(es)?  yes  none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of major federal programs:

CFDA number(s)	Name of Federal Program or Cluster
84.282A	Charters Schools Program (CSP)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes  no

**THE ACADEMY CHARTER SCHOOL**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2020

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**THE ACADEMY CHARTER SCHOOL**  
**Summary Schedule of Prior Audit Findings**  
For the year ended June 30, 2020

**Financial Statement Findings**

None

**Federal Award Findings and Questioned Costs**

None

**THE ACADEMY CHARTER SCHOOL**  
**Corrective Action Plan**  
For the year ended June 30, 2020

None