

AMBER CHARTER SCHOOLS AND AFFILIATES

NEW YORK, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2021

(With Comparative Totals for 2020)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Amber Charter Schools and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Amber Charter Schools and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amber Charter Schools and Affiliates as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Amber Charter Schools and Affiliates' June 30, 2020 financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021 on our consideration of Amber Charter Schools and Affiliates' 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 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 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 Amber Charter Schools and Affiliates' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 25, 2021

AMBER CHARTER SCHOOLS AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021
(With Comparative Totals for 2020)

<u>ASSETS</u>	June 30,	
	2021	2020
<u>CURRENT ASSETS</u>		
Cash (including restricted cash of \$213,358 at June 30, 2021)	\$ 11,947,098	\$ 10,634,029
Grants and contracts receivable	899,130	873,198
Other receivables	-	22,337
Prepaid expenses	41,432	149,950
TOTAL CURRENT ASSETS	12,887,660	11,679,514
<u>PROPERTY AND EQUIPMENT, net</u>	11,417,038	4,515,359
<u>OTHER ASSETS</u>		
Security deposits	133,614	131,604
Deferred lease receivable	553,842	241,888
Cash in escrow	153,923	153,398
	841,379	526,890
TOTAL ASSETS	\$ 25,146,077	\$ 16,721,763
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current maturities of long-term debt, net of unamortized debt issuance costs of \$340,655 at June 30, 2021	\$ 6,664,101	\$ 170,154
Accounts payable and accrued expenses	278,747	125,556
Accrued payroll and benefits	1,625,810	1,444,317
TOTAL CURRENT LIABILITIES	8,568,658	1,740,027
<u>OTHER LIABILITIES</u>		
Deferred lease payable	2,742,689	-
Long-term debt, net of unamortized debt issuance costs of \$67,189 and \$71,524, respectively	1,998,822	1,925,468
Paycheck Protection Program note payable	-	1,915,100
	4,741,511	3,840,568
TOTAL LIABILITIES	13,310,169	5,580,595
<u>NET ASSETS</u> - without donor restrictions	11,835,908	11,141,168
TOTAL LIABILITIES AND NET ASSETS	\$ 25,146,077	\$ 16,721,763

The accompanying notes are an integral part of the consolidated financial statements.

AMBER CHARTER SCHOOLS AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2021
 (With Comparative Totals for 2020)

	Year ended June 30,	
	2021	2020
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 15,232,140	\$ 14,839,444
Students with disabilities	18,640	31,170
Grants and contracts:		
State and local	73,466	70,813
Federal - Title and IDEA	615,863	514,166
Federal - other	548,733	114,597
Food service / Child nutrition program	114,881	309,002
NYC DoE Rental Assistance	1,425,645	1,354,084
After school program	-	95,668
	TOTAL REVENUE, GAINS AND OTHER SUPPORT	17,328,944
	18,029,368	17,328,944
Expenses:		
Program:		
Regular education	10,103,625	8,767,749
Special education	2,579,374	1,935,651
	TOTAL PROGRAM EXPENSES	10,703,400
	12,682,999	10,703,400
Management and general	7,389,659	4,011,044
Fundraising and special events	234,692	155,494
	TOTAL OPERATING EXPENSES	14,869,938
	20,307,350	14,869,938
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(2,277,982)	2,459,006
Support and other revenue:		
Contributions		
Foundations	725,500	349,000
Individuals	80,359	13,597
Corporations	110,990	6,138
Fundraising	26,041	87,002
Investment income	6,440	18,326
Paycheck Protection Program note forgiveness	1,915,100	-
Miscellaneous income	108,292	10,303
	TOTAL SUPPORT AND OTHER REVENUE	484,366
	2,972,722	484,366
	CHANGE IN NET ASSETS	2,943,372
	694,740	2,943,372
Net assets without donor restrictions at beginning of year	11,141,168	8,197,796
	NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	11,141,168
	\$ 11,835,908	\$ 11,141,168

The accompanying notes are an integral part of the consolidated financial statements.

AMBER CHARTER SCHOOLS AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	No. of Positions	Year ended June 30,						Total	Total
		2021			2020				
		Program Services			Supporting Services				
	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel Services Costs:									
Administrative staff personnel	38	\$ 684,635	\$ 105,535	\$ 790,170	\$ 2,742,844	\$ -	\$ 2,742,844	\$ 3,533,014	\$ 3,109,220
Instructional personnel	95	4,582,718	1,331,292	5,914,010	-	-	-	5,914,010	5,222,810
Non-instructional personnel	5	127,685	22,461	150,146	9,400	-	9,400	159,546	229,432
Total salaries and staff	138	5,395,038	1,459,288	6,854,326	2,752,244	-	2,752,244	9,606,570	8,561,462
Fringe benefits, payroll taxes, and retirement		1,642,282	444,881	2,087,163	833,962	-	833,962	2,921,125	2,485,025
Retirement		211,052	58,406	269,458	108,313	-	108,313	377,771	307,409
Professional development		120,544	23,199	143,743	24	-	24	143,767	69,541
Legal services		-	-	-	19,120	-	19,120	19,120	36,522
Accounting / audit		-	-	-	48,262	-	48,262	48,262	23,526
Financial management services		-	-	-	70,297	-	70,297	70,297	89,497
Professional services		482,610	125,041	607,651	181,327	225,800	407,127	1,014,778	968,450
Travel and conference		4,525	1,166	5,691	3,405	-	3,405	9,096	36,259
Student and staff recruitment		73,105	9,718	82,823	13,932	-	13,932	96,755	64,759
Supplies / materials		674,863	130,843	805,706	-	-	-	805,706	239,813
Office expenses		15,686	2,694	18,380	74,442	34	74,476	92,856	113,889
Food service		134,929	30,339	165,268	29,313	-	29,313	194,581	285,352
Student services		8,864	-	8,864	-	-	-	8,864	36,415
Insurance		61,864	16,950	78,814	35,662	-	35,662	114,476	112,572
Dues and subscriptions		17,817	4,708	22,525	9,112	-	9,112	31,637	37,076
Building and land rent / lease		654,747	130,480	785,227	3,071,676	-	3,071,676	3,856,903	563,945
Utilities		34,700	9,853	44,553	18,333	-	18,333	62,886	43,268
Non-capitalized equipment and furnishings		3,543	1,030	4,573	1,825	-	1,825	6,398	10,181
Technology		123,948	23,286	147,234	16,711	-	16,711	163,945	143,774
Repairs and maintenance		39,453	13,070	52,523	20,551	-	20,551	73,074	64,256
Depreciation and amortization		253,093	52,048	305,141	33,937	-	33,937	339,078	280,956
Interest expense		67,420	23,832	91,252	35,330	-	35,330	126,582	133,995
Other		83,542	18,542	102,084	11,881	8,858	20,739	122,823	161,995
		<u>\$ 10,103,625</u>	<u>\$ 2,579,374</u>	<u>\$ 12,682,999</u>	<u>\$ 7,389,659</u>	<u>\$ 234,692</u>	<u>\$ 7,624,351</u>	<u>\$ 20,307,350</u>	<u>\$ 14,869,937</u>

The accompanying notes are an integral part of the consolidated financial statements.

AMBER CHARTER SCHOOLS AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 694,740	\$ 2,943,372
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	339,078	280,956
Amortization of debt issuance costs included in interest expense	4,335	4,335
Bad debt expense	19,112	14,122
Paycheck Protection Program note forgiveness	(1,915,100)	-
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(25,932)	(409,947)
Other receivables	3,225	(5,057)
Prepaid expenses	108,518	(56,354)
Security deposits	(2,010)	(58,726)
Deferred lease receivable	(311,954)	(241,888)
Accounts payable and accrued expenses	153,191	(99,425)
Accrued payroll and benefits	181,493	288,755
Deferred lease payable	<u>2,742,689</u>	<u>(548,460)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,991,385	2,111,683
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Additions to property and equipment	<u>(6,966,165)</u>	<u>(683,924)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(6,966,165)	(683,924)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on Paycheck Protection Program note payable	-	1,915,100
Borrowings on long-term debt	6,429,548	-
Repayment of long-term debt	<u>(141,174)</u>	<u>(94,505)</u>
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>6,288,374</u>	<u>1,820,595</u>
NET INCREASE IN CASH AND RESTRICTED CASH	1,313,594	3,248,354
Cash and restricted cash at beginning of year	<u>10,787,427</u>	<u>7,539,073</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 12,101,021</u>	<u>\$ 10,787,427</u>

AMBER CHARTER SCHOOLS AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	Year ended June 30,	
	2021	2020
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Interest paid	<u>\$ 129,991</u>	<u>\$ 129,659</u>
Reconciliation of cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 11,947,098	\$ 10,634,029
Cash in escrow	<u>153,923</u>	<u>153,398</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 12,101,021</u>	<u>\$ 10,787,427</u>
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Purchase of property and equipment through acquisition of long-term debt	<u>\$ 222,977</u>	<u>\$ 148,688</u>
Capitalized interest included in long-term debt and property and equipment	<u>\$ 51,615</u>	<u>\$ -</u>
Capitalized debt issuance costs included in long-term debt	<u>\$ 340,655</u>	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Amber Charter Schools is an education corporation that has authority to operate the Charter Schools as described below. Founded by Community Association of Progressive Dominicans/Asociación Comunal de Dominicanos Progresistas, Amber was the first charter school in New York City created by a community-based organization. Amber's mission is to provide its students with an academically rigorous and well-rounded education, along with strong character development, that will enable them to prosper in future endeavors. To fulfill this mission, Amber provides students with the ability to demonstrate proficiency and/or distinction in all New York State Learning Standards. Amber's funding is primarily from per-student funding provided by New York City; additionally, Amber receives government grants and contracts and private contributions.

Amber East Harlem ("East Harlem") operates in the borough of Manhattan, New York. On April 4, 2000, the Board of Regents of the University of the State of New York granted East Harlem a provisional charter valid for a term of five years and renewable upon expiration. East Harlem obtained its latest renewal through June 30, 2025.

Amber Kingsbridge ("Kingsbridge") operates in the borough of Bronx, New York. In August 2014, the Board of Regents of the University of the State of New York granted Kingsbridge a provisional charter valid for a term of five years and renewable upon expiration. Kingsbridge obtained a renewal through July 31, 2026.

Amber Inwood ("Inwood") operates in the borough of Manhattan, New York. On June 6, 2019, the SUNY Board of Trustees' Charter School Committee approved the initial five year charter for Inwood which will open Fall 2021. The charter term expires July 31, 2026. In May 2021, Amber III ("Amber III") changed its name to Amber Inwood.

Amber Schools Foundation, Inc. ("Foundation") was organized under the laws of the State of New York as a not-for-profit under subparagraph (c)(3) of Section 501 of the Not-For-Profit Corporation law in March 2014. The Foundation is established to support the functions of, and to assist in carrying out the educational and charitable purposes of, Amber East Harlem, Amber Kingsbridge, and Amber Inwood.

Amber Charter Schools is the sole member of 652 West 187th Street, LLC ("652 West"), 3120 Corlear Avenue, LLC ("3120 Corlear") and 220 East 106th Street, LLC ("220 East") (collectively, the "LLC's"), all limited liability companies established under the laws of the state of New York. 652 West and 3120 Corlear were established to hold lease agreements with unrelated parties for the property in which Amber Kingsbridge operates. Such properties were subsequently sublet to Amber Kingsbridge. Effective June 2020, the lease held by 3120 was assigned to Kingsbridge and the sublease was terminated. 220 East is a co-borrower with Amber East Harlem on the mortgage payable and line of credit arrangement with Raza Development Fund, Inc. ("Raza").

The Foundation is the sole member of Inwood 532 West 215th Street, LLC ("532 West"), a limited liability company established under the laws of the state of New York. 532 West was established to hold the lease agreement with an unrelated party for the property in which Inwood will operate. Such property is sublet to Inwood.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Principles of consolidation

The accompanying consolidated financial statements include the accounts of East Harlem, Kingsbridge, Inwood, Foundation, 652 West, 3120 Corlear, 220 East and 532 West, (collectively referred to as the "Organization"). Amber Charter Schools maintains an economic interest and control in the Foundation through common board membership and the ability to elect the Foundation's board members. The only activity in the LLC's during 2021 and 2020 was rental income from Amber Charter Schools and rent expense to an unrelated party as disclosed in Note D. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Organization.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization had no net assets with donor restrictions at June 30, 2021 or 2020.

Revenue and support recognition

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The Organization records revenues both over time and at a point in time as follows:

	June 30,	
	<u>2021</u>	<u>2020</u>
Revenues earned over time	\$ 16,740,597	\$ 16,284,758
Revenues earned at a point in time	<u>26,041</u>	<u>87,002</u>
	<u>\$ 16,766,638</u>	<u>\$ 16,371,760</u>

Public school district revenue

The Organization recognizes revenue as educational programming is provided to students throughout the year. The Organization earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Organization and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Organization to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Fundraising

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event—the exchange component, and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as fundraising expense in the statement of functional expenses. The performance obligation is delivery of the event. The event fee is set by the Organization. Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Organization follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2021	2020	2019
Grants and other receivables	\$ -	\$ 447,807	\$ -

Contributions

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The Charter School Growth Fund (CSGF) supports the growth of public charter schools. The Organization was approved to receive a CSGF contribution of \$2,150,000 to be received by December 15, 2023. The Organization recognized \$300,000 of contribution revenue on the accompanying consolidated statement of activities and changes in net assets for the year ended June 30, 2021 relating to this contribution.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Grant revenue

Some of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was no revenue deferred at either June 30, 2021 or 2020. The Charter School received cost-reimbursement grants of approximately \$214,846 and \$218,580 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

Cash

Cash balances are maintained at certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Organization maintains cash in an escrow account in accordance with the terms of its charter agreements. The amount in escrow was \$153,923 and \$153,398 at June 30, 2021 and 2020, respectively.

Grants and contracts receivable and other receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2021 or 2020.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to thirty-five years. Leasehold improvements are amortized over the lesser of the lease term or useful life.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Debt issuance costs

Debt issuance costs are stated at cost and are amortized over the term of the debt. The Organization shows debt issuance costs as a deduction from the carrying amount of the debt, net on the accompanying consolidated statement of financial position.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Deferred lease receivable (payable)

The Organization leases two facilities. The leases contain pre-determined fixed escalation of the base rent. In accordance with GAAP, the Organization recognizes the related rent expense on a straight-line basis over the lease term and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease receivable (payable). The amount of additional rent paid in excess of the rent expense recognized under one of the leases was approximately \$312,000 and \$790,000 for the years ended June 30, 2021 and 2020, respectively. The amount of additional rent expense recognized in excess of the rent paid under the second lease was approximately \$2,743,000 for the year ended June 30, 2021.

Tax exempt status

Amber Charter Schools and the Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, are exempt from federal and state taxes on income. Amber Charter Schools and the Foundation file Form 990 tax returns in the U.S. federal jurisdiction. In addition, the Foundation files a CHAR 500 in New York State. The LLCs are single member LLCs and are disregarded for tax purposes. The tax returns for the years ended June 30, 2018 through June 30, 2021 are still subject to potential audit by the IRS. Management of Amber Charter Schools and the Foundation believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed services

The Organization receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Organization received transportation services, metro cards, special education services and physical, occupational, and speech therapy for students from the local district. The Organization was unable to determine a value for these services.

The Organization did not receive any in-kind revenue for the year ended June 30, 2021 and 2020.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Marketing and recruiting costs

The Organization expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$96,800 and \$64,800 for the years ended June 30, 2021 and 2020, respectively.

Use of estimates in the preparation of financial statements

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Comparative information for the year ended June 30, 2020

The consolidated financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

New accounting pronouncements

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Organization is currently evaluating the provisions of this update to determine the impact it will have on the Organization's financial statements.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 25, 2021, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE B: LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

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, comprise the following at June 30, 2021 and 2020:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 11,947,098	\$ 10,634,029
Grants and contracts receivable and other receivables	<u>899,130</u>	<u>895,535</u>
Total financial assets available to management within one year	12,846,228	11,529,564
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted cash	<u>(213,358)</u>	<u>-</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 12,632,870</u>	<u>\$ 11,529,564</u>

NOTE C: RESTRICTED CASH

Restricted cash includes amounts the Organization is required to segregate in connection with the borrowing of long term debt, as described in Note F. This cash account is held at a financial institution for debt service. At June 30, 2021, the balance was \$213,358.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE D: SCHOOL FACILITIES

In May 2017, 3120 Corlear entered into a 35-year non-cancelable operating lease agreement with an unrelated third party for facility space, commencing in August 2017 and expiring in July 2052. On June 15, 2020, the terms of this lease were amended. The term of this amendment is for the period July 1, 2020 until June 30, 2021. Absent an agreement further amending the lease, the terms will revert back to the original 35-year lease.

The property was sublet to Kingsbridge in an agreement that commenced in August 2017 and expired in July 2019. In July 2019, a new sublease was signed that commenced July 2019 and expired June 2021. This sublease has an option to renew every two years for thirty-five years. Effective June 15, 2020, the lease held by 3120 Corlear with the unrelated third party was assigned to Kingsbridge and the sublease between 3120 Corlear and Kingsbridge was terminated. Total rental paid under the third party lease was approximately \$1,426,000 and \$1,354,000 for the years ended June 30, 2021 and 2020, respectively. In conjunction with this facility lease, 3120 Corlear paid a security deposit of \$61,573 which is included in security deposits on the accompanying consolidated statement of financial position at June 30, 2021 and 2020. There are additional security deposits of \$13,708 and \$11,698 at both June 30, 2021 and 2020, respectively, which represent deposits on electric meters and lease below.

Future expected minimum payments of this lease are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 972,900
2023	975,300
2024	975,300
2025	975,300
2026	975,300
Thereafter	<u>29,166,035</u>
	<u>\$ 34,040,135</u>

In May 2020, 532 West entered into a 35-year non-cancelable operating lease agreement with an unrelated third party for facility space, commencing July 2020 and expiring June 2055. 532 West did not pay any rent for this facility for the year ended June 30, 2021 as Inwood was not yet occupying the space; however, 532 West occupied the property to make property improvements during the fiscal year ended June 30, 2021. In conjunction with this facility lease, 532 paid a first installment of the security deposit in the amount of \$58,333 which is included in security deposits on the accompanying consolidated statement of financial position at June 30, 2021 and 2020. There are remaining installments of \$116,666 due in subsequent years. The lease agreement between 532 West and the third party is guaranteed by Amber Charter Schools.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE D: SCHOOL FACILITIES, Cont'd

Future expected minimum payments of this lease are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 1,255,000
2023	1,338,000
2024	2,125,000
2025	2,233,000
2026	2,305,000
Thereafter	<u>86,738,000</u>
	<u>\$ 95,994,000</u>

The property was sublet to Inwood in an agreement signed in February 2021 that commences July 2021 and expires in June 2055. In conjunction with this facility lease, Inwood is required to pay a security deposit to 532 West equal to the security deposit required by the above unrelated third party lease.

Future expected minimum lease payments of this lease are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 2,446,000
2023	2,770,000
2024	3,457,000
2025	3,566,000
2026	3,876,000
Thereafter	<u>149,576,000</u>
	<u>\$ 165,691,000</u>

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30,	
	2021	2020
Land	\$ 335,000	\$ 335,000
Building	5,260,973	5,063,610
Furniture and fixtures	562,655	561,015
Computers and equipment	1,918,503	1,473,376
Software	55,860	55,860
Leasehold improvements	292,467	292,467
Construction in progress	<u>6,845,315</u>	<u>248,688</u>
	15,270,773	8,030,016
Less accumulated depreciation and amortization	<u>3,853,735</u>	<u>3,514,657</u>
	<u>\$ 11,417,038</u>	<u>\$ 4,515,359</u>

Construction in progress relates mainly to architect fees and building construction costs for the Inwood location. Construction in progress is stated at cost. No provision for amortization is made on construction in progress until such time as the relevant assets are completed and put into use. The Organization has entered into a commitment with a general contractor for approximately \$7,800,000. As of June 30, 2021, approximately \$4,700,000 was incurred relative to the general contractor. The remaining \$3,100,000 is expected to be incurred during fiscal year ending June 30, 2022.

The Organization capitalized interest costs incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. The total amount of interest that was capitalized at June 30, 2021 was \$51,615.

Depreciation expense for the years ended June 30, 2021 and 2020 was approximately \$339,000 and \$281,000, respectively.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE F: LONG-TERM DEBT

Amber Charter Schools had a mortgage payable to a bank dated September 29, 2011, which was collateralized by East Harlem's real estate in the city of New York. The loan was payable in monthly installments of \$17,316, including interest at 7% per annum, with a balloon payment of approximately \$2,235,000 due at maturity on October 1, 2016. In October 2016, East Harlem entered into a loan modification agreement with the bank extending the loan's maturity to December 28, 2016 under the same terms. On December 30, 2016, Amber Charter Schools, with 220 East as a co-borrower, refinanced the mortgage with the bank by entering into an amended and restated loan and security agreement.

Long-term debt is summarized as follows:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Amber East Harlem:		
Note payable, due in monthly installments of \$16,315, including interest at 6.04%, through December 2036. The note is collateralized by real property.	\$ 1,968,480	\$ 2,042,882
Less unamortized debt issuance costs	(67,189)	(71,524)
Capital lease, due in monthly installments of \$2,468, including interest at 5.71%, through September 2024. The lease is collateralized by certain equipment with a net book value of \$81,411 and \$107,120 at June 30, 2021 and 2020, respectively.	81,768	107,477
Capital lease, due in monthly installments of \$3,094, including interest at 0.417%, through December 2023. The lease is collateralized by certain equipment with a net book value of \$92,244 at June 30, 2021.	<u>92,308</u>	<u>-</u>
Amber East Harlem Subtotal	2,075,367	2,078,835
Amber Kingsbridge:		
Capital lease, due in monthly installments of \$394, including interest at 6.43%, through August 2024. The lease is collateralized by certain equipment with a net book value of \$12,758 and \$16,787 at June 30, 2021 and 2020, respectively.	12,758	16,787
Capital lease, due in monthly installments of \$3,138, including interest at 0.417%, through December 2023. The lease is collateralized by certain equipment with a net book value of \$93,570 at June 30, 2021.	<u>93,635</u>	<u>-</u>
Amber Kingsbridge Subtotal	106,393	16,787

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE F: LONG-TERM DEBT, Cont'd

	June 30,	
	2021	2020
Balance forward	\$ 2,181,760	\$ 2,095,622
Amber Schools Foundation Inc.:		
Construction note payable for a maximum of \$12,525,000, bearing interest only payments beginning February 2021 at a rate of 4.71% until conversion date. The construction period must be completed and loan repayments shall begin on conversion date, February 1, 2022, at which point the aggregate balance will be converted into a permanent note payable. Monthly payments of principal plus interest at a fixed rate of 4.71% based on a hypothetical 25 year amortization period will be due through January 2026. Secured by the Inwood property and guaranteed by Amber Charter Schools.	5,918,130	-
Construction note payable for a maximum of \$1,000,000 bearing interest only payments beginning April 1, 2021 at a rate of 4.75% until conversion date. The construction period must be completed and loan repayments shall begin on conversion date, February 1, 2022, at which point the aggregate balance will be converted into a permanent note payable. Monthly payments of principal plus interest at a fixed rate of 4.75% based on a hypothetical 25 year amortization period will be due through January 2026. Secured by the Inwood property and guaranteed by Amber Charter Schools. Subordinate to construction note payable above.	903,688	-
Less unamortized debt issuance costs	(340,655)	-
Amber Schools Foundation Inc. Subtotal	6,481,163	-
	8,662,923	2,095,622
Less current portion of long-term debt	(6,664,101)	(170,154)
	\$ 1,998,822	\$ 1,925,468

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE F: LONG-TERM DEBT, Cont'd

Future maturities of long-term debt are summarized as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 7,004,756
2023	188,156
2024	156,261
2025	100,029
2026	100,599
Thereafter	<u>1,520,966</u>
	<u>\$ 9,070,767</u>

532 West and Amber Charter Schools must comply with certain financial covenants relative to the construction loans. 532 West and Amber Charter Schools are in compliance with these covenants at June 30, 2021.

NOTE G: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Undesignated net assets	\$ 9,081,793	\$ 8,721,431
Invested in property and equipment, net of related debt	<u>2,754,115</u>	<u>2,419,737</u>
	<u>\$ 11,835,908</u>	<u>\$ 11,141,168</u>

NOTE H: OPERATING RESERVE

During the year ended June 30, 2013, Amber Charter Schools' board of trustees adopted an operating reserve policy to ensure the stability of Amber Charter Schools' mission. The policy requires Amber Charter Schools to establish an operating reserve fund with a minimum of \$250,000. Such funds shall be segregated from Amber Charter Schools' operating cash and shall not be used for normal operations. As of June 30, 2021, Amber Charter Schools had not yet established the operating reserve fund. However, management believes that Amber Charter Schools has adequate liquidity available, and that the segregation and restriction of such funds will not have an adverse effect on the operations of the schools.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE I: OPERATING LEASES AND COMMITMENTS

The Organization leases office equipment under non-cancelable lease agreements, expiring at various dates through October 2032.

The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 147,100
2023	63,800
2024	13,300
2025	5,200
2026	5,200
Thereafter	<u>32,000</u>
	<u>\$ 266,600</u>

NOTE J: RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) plan covering all eligible employees. The Organization contributes a percentage of compensation based on job classification, 4% for administration staff and 3% for instructional staff. Contributions on behalf of union employees are in accordance with the union agreement, which specified a 5% contribution for the years ended June 30, 2021 and 2020. The Organization made contributions of approximately \$377,800 and \$307,400 for the years ended June 30, 2021 and 2020, respectively.

NOTE K: UNION AGREEMENT

At June 30, 2021, the Organization had 138 employees, of which 42 are represented by a union. The union agreement covering these employees expired on August 31, 2018. In March 2018, the Organization entered a collective bargaining agreement with the employee union. This agreement went into effect during September 2018 and expires August 31, 2022.

NOTE L: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

AMBER CHARTER SCHOOLS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE M: CONCENTRATIONS

At June 30, 2021 and 2020, approximately 90% and 97%, respectively of grants and contracts receivable are due from New York State relating to certain grants.

During the years ended June 30, 2021 and 2020, 85% and 86%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter Schools' students are located.

NOTE N: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE O: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, in May 2020, the Organization applied for and was approved by a bank for a loan of \$1,915,100 through the Paycheck Protection Program established by the Small Business Administration. Due to the potential of forgiveness, the loan was reported as a long-term note payable on the accompanying statement of financial position at June 30, 2020. The loan principal and accrued interest was fully forgiven by the Small Business Administration as of March 30, 2021 and is reported as Paycheck Protection Program note forgiveness on the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Organization has recognized \$191,000 of revenue relative to ESSER grants during the year ended June 30, 2021.

AMBER CHARTER SCHOOLS AND AFFILIATES

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Amber Charter Schools and Affiliates

We have audited the consolidated financial statements of Amber Charter Schools and Affiliates as of and for the year ended June 30, 2021, and have issued our report thereon dated October 25, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements for the year ended June 30, 2021, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 25, 2021

AMBER CHARTER SCHOOLS

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

<u>ASSETS</u>	Amber Charter Schools				Amber Schools Foundation Inc.	Eliminations	Consolidated Total
	Amber East Harlem	Amber Kingsbridge	Amber Inwood	Total			
<u>CURRENT ASSETS</u>							
Cash (including restricted cash of \$213,358)	\$ 6,774,125	\$ 3,779,172	\$ -	\$ 10,553,297	\$ 1,393,801	\$ -	\$ 11,947,098
Grants and contracts receivable	391,025	284,033	224,072	899,130	-	-	899,130
Prepaid expenses	20,853	20,579	-	41,432	-	-	41,432
Related party receivables (payables)	1,316,243	79,577	(527,161)	868,659	(868,659)	-	-
TOTAL CURRENT ASSETS	8,502,246	4,163,361	(303,089)	12,362,518	525,142	-	12,887,660
<u>PROPERTY AND EQUIPMENT, net</u>	3,910,100	562,299	613,381	5,085,780	6,331,258	-	11,417,038
<u>OTHER ASSETS</u>							
Security deposits	-	73,271	-	73,271	60,343	-	133,614
Deferred lease receivable	-	553,842	-	553,842	-	-	553,842
Cash in escrow	153,923	-	-	153,923	-	-	153,923
	153,923	627,113	-	781,036	60,343	-	841,379
TOTAL ASSETS	\$ 12,566,269	\$ 5,352,773	\$ 310,292	\$ 18,229,334	\$ 6,916,743	\$ -	\$ 25,146,077
<u>LIABILITIES AND NET ASSETS</u>							
<u>CURRENT LIABILITIES</u>							
Current maturities of long-term debt, net of unamortized debt issuance costs of \$340,655	\$ 141,572	\$ 41,366	\$ -	\$ 182,938	\$ 6,481,163	\$ -	\$ 6,664,101
Accounts payable and accrued expenses	155,980	44,336	-	200,316	78,431	-	278,747
Accrued payroll and benefits	952,272	660,765	12,773	1,625,810	-	-	1,625,810
TOTAL CURRENT LIABILITIES	1,249,824	746,467	12,773	2,009,064	6,559,594	-	8,568,658
<u>OTHER LIABILITIES</u>							
Deferred lease payable	-	-	-	-	2,742,689	-	2,742,689
Long-term debt, net of unamortized debt issuance costs of \$67,189	1,933,795	65,027	-	1,998,822	-	-	1,998,822
	1,933,795	65,027	-	1,998,822	2,742,689	-	4,741,511
TOTAL LIABILITIES	3,183,619	811,494	12,773	4,007,886	9,302,283	-	13,310,169
<u>NET ASSETS (DEFICIENCY)</u>	<u>9,382,650</u>	<u>4,541,279</u>	<u>297,519</u>	<u>14,221,448</u>	<u>(2,385,540)</u>	<u>-</u>	<u>11,835,908</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	\$ 12,566,269	\$ 5,352,773	\$ 310,292	\$ 18,229,334	\$ 6,916,743	\$ -	\$ 25,146,077

AMBER CHARTER SCHOOLS

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2021

	Amber Charter Schools				Amber Schools Foundation Inc.	Eliminations	Consolidated Total
	Amber East Harlem	Amber Kingsbridge	Amber Inwood	Total			
Revenue, gains and other support:							
Public school district:							
Resident student enrollment	\$ 7,757,646	\$ 7,474,494	\$ -	\$ 15,232,140	\$ -	\$ -	\$ 15,232,140
Students with disabilities	-	18,640	-	18,640	-	-	18,640
Grants and contracts:							
State and local	39,700	33,766	-	73,466	-	-	73,466
Federal - Title and IDEA	345,632	270,231	-	615,863	-	-	615,863
Federal - other	155,102	116,068	277,563	548,733	-	-	548,733
Food service / Child nutrition program	60,697	54,184	-	114,881	-	-	114,881
NYC DoE Rental Assistance	-	1,425,645	-	1,425,645	-	-	1,425,645
TOTAL REVENUE, GAINS AND OTHER SUPPORT	8,358,777	9,393,028	277,563	18,029,368	-	-	18,029,368
Expenses:							
Program:							
Regular education	4,811,703	5,092,950	198,972	10,103,625	-	-	10,103,625
Special education	1,609,452	969,922	-	2,579,374	-	-	2,579,374
TOTAL PROGRAM EXPENSES	6,421,155	6,062,872	198,972	12,682,999	-	-	12,682,999
Management and general	2,214,659	2,338,464	73,195	4,626,318	2,763,341	-	7,389,659
Fundraising and special events	-	-	-	-	234,692	-	234,692
TOTAL OPERATING EXPENSES	8,635,814	8,401,336	272,167	17,309,317	2,998,033	-	20,307,350
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(277,037)	991,692	5,396	720,051	(2,998,033)	-	(2,277,982)
Support and other revenue:							
Contributions							
Foundations	725,500	-	-	725,500	-	-	725,500
Individuals	10,099	-	-	10,099	70,260	-	80,359
Corporations	30,790	30,200	50,000	110,990	-	-	110,990
Fundraising	5,114	6,719	-	11,833	14,208	-	26,041
Investment income	-	-	-	-	6,440	-	6,440
Paycheck Protection Program note forgiveness	1,053,305	861,795	-	1,915,100	-	-	1,915,100
Miscellaneous income	107,992	300	-	108,292	-	-	108,292
TOTAL SUPPORT AND OTHER REVENUE	1,932,800	899,014	50,000	2,881,814	90,908	-	2,972,722
CHANGE IN NET ASSETS	1,655,763	1,890,706	55,396	3,601,865	(2,907,125)	-	694,740
Net assets at beginning of year	7,726,887	2,650,573	242,123	10,619,583	521,585	-	11,141,168
NET ASSETS (DEFICIENCY) AT END OF YEAR	\$ 9,382,650	\$ 4,541,279	\$ 297,519	\$ 14,221,448	\$ (2,385,540)	\$ -	\$ 11,835,908

AMBER EAST HARLEM

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Sub-total	Management and general	Sub-total	
Personnel Services Costs:							
Administrative staff personnel	18	\$ 277,021	\$ 66,334	\$ 343,355	\$ 1,373,420	\$ 1,373,420	\$ 1,716,775
Instructional personnel	50	2,288,622	849,871	3,138,493	-	-	3,138,493
Non-instructional personnel	<u>2</u>	<u>54,411</u>	<u>13,029</u>	<u>67,440</u>	-	-	<u>67,440</u>
Total salaries and staff	70	2,620,054	929,234	3,549,288	1,373,420	1,373,420	4,922,708
Fringe benefits and payroll taxes		811,107	287,669	1,098,776	425,178	425,178	1,523,954
Retirement		105,208	37,313	142,521	55,150	55,150	197,671
Professional development		69,295	16,593	85,888	-	-	85,888
Legal services		-	-	-	2,260	2,260	2,260
Accounting / Audit		-	-	-	15,650	15,650	15,650
Financial Management Services		-	-	-	38,242	38,242	38,242
Professional services		266,311	88,551	354,862	112,756	112,756	467,618
Student and staff recruitment		18,386	5,945	24,331	7,018	7,018	31,349
Travel and conference		1,704	604	2,308	893	893	3,201
Supplies / Materials		385,991	92,428	478,419	-	-	478,419
Office expenses		5,909	1,415	7,324	29,296	29,296	36,620
Food service		55,919	19,832	75,751	29,313	29,313	105,064
Student services		5,786	-	5,786	-	-	5,786
Insurance		29,746	10,550	40,296	15,592	15,592	55,888
Dues and subscriptions		7,450	2,642	10,092	3,905	3,905	13,997
Utilities		18,912	6,707	25,619	9,914	9,914	35,533
Non-capitalized equipment and furnishings		2,080	738	2,818	1,090	1,090	3,908
Technology		64,032	15,333	79,365	8,818	8,818	88,183
Repairs and maintenance		33,520	11,888	45,408	17,571	17,571	62,979
Depreciation and amortization		172,954	41,415	214,369	23,818	23,818	238,187
Interest expense		66,912	23,731	90,643	35,075	35,075	125,718
Other		<u>70,427</u>	<u>16,864</u>	<u>87,291</u>	<u>9,700</u>	<u>9,700</u>	<u>96,991</u>
		<u>\$ 4,811,703</u>	<u>\$ 1,609,452</u>	<u>\$ 6,421,155</u>	<u>\$ 2,214,659</u>	<u>\$ 2,214,659</u>	<u>\$ 8,635,814</u>

AMBER KINGSBRIDGE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Sub-total	Management and general	Sub-total	
Personnel Services Costs:							
Administrative staff personnel	18	\$ 294,785	\$ 39,201	\$ 333,986	\$ 1,335,945	\$ 1,335,945	\$ 1,669,931
Instructional personnel	45	2,294,096	481,421	2,775,517	-	-	2,775,517
Non-instructional personnel	2	70,924	9,432	80,356	-	-	80,356
Total salaries and staff	65	2,659,805	530,054	3,189,859	1,335,945	1,335,945	4,525,804
Fringe benefits and payroll taxes		788,889	157,212	946,101	396,237	396,237	1,342,338
Retirement		105,844	21,093	126,937	53,163	53,163	180,100
Professional development		49,674	6,606	56,280	-	-	56,280
Legal services		-	-	-	7,923	7,923	7,923
Accounting / Audit		-	-	-	15,601	15,601	15,601
Financial Management Services		-	-	-	32,055	32,055	32,055
Professional services		210,525	36,490	247,015	64,347	64,347	311,362
Student and staff recruitment		21,506	3,773	25,279	6,914	6,914	32,193
Travel and conference		2,821	562	3,383	1,417	1,417	4,800
Supplies / Materials		288,872	38,415	327,287	-	-	327,287
Office expenses		9,615	1,279	10,894	43,574	43,574	54,468
Food service		79,010	10,507	89,517	-	-	89,517
Student services		3,078	-	3,078	-	-	3,078
Insurance		32,118	6,400	38,518	16,132	16,132	54,650
Building and Land Rent / Lease		654,747	130,480	785,227	328,861	328,861	1,114,088
Dues and subscriptions		10,367	2,066	12,433	5,207	5,207	17,640
Utilities		15,788	3,146	18,934	7,930	7,930	26,864
Non-capitalized equipment and furnishings		1,463	292	1,755	735	735	2,490
Technology		59,806	7,953	67,759	7,529	7,529	75,288
Repairs and maintenance		5,933	1,182	7,115	2,980	2,980	10,095
Depreciation and amortization		79,962	10,633	90,595	10,066	10,066	100,661
Interest expense		508	101	609	255	255	864
Other		12,619	1,678	14,297	1,593	1,593	15,890
		<u>\$ 5,092,950</u>	<u>\$ 969,922</u>	<u>\$ 6,062,872</u>	<u>\$ 2,338,464</u>	<u>\$ 2,338,464</u>	<u>\$ 8,401,336</u>

AMBER INWOOD

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Sub-total	Management and general	Sub-total	
Personnel Services Costs:							
Administrative staff personnel	2	\$ 112,829	\$ -	\$ 112,829	\$ 33,479	\$ 33,479	\$ 146,308
Non-instructional personnel	<u>1</u>	<u>2,350</u>	-	<u>2,350</u>	<u>9,400</u>	<u>9,400</u>	<u>11,750</u>
Total salaries and staff	3	115,179	-	115,179	42,879	42,879	158,058
Fringe benefits and payroll taxes		42,286	-	42,286	12,547	12,547	54,833
Professional development		1,575	-	1,575	24	24	1,599
Legal services		-	-	-	4,427	4,427	4,427
Accounting / Audit		-	-	-	9,350	9,350	9,350
Professional services		5,774	-	5,774	3,404	3,404	9,178
Student and staff recruitment		33,213	-	33,213	-	-	33,213
Office expenses		162	-	162	-	-	162
Technology		110	-	110	364	364	474
Depreciation and amortization		177	-	177	53	53	230
Other		<u>496</u>	-	<u>496</u>	<u>147</u>	<u>147</u>	<u>643</u>
		<u>\$ 198,972</u>	<u>\$ -</u>	<u>\$ 198,972</u>	<u>\$ 73,195</u>	<u>\$ 73,195</u>	<u>\$ 272,167</u>

AMBER CHARTER SCHOOLS AND AFFILIATES

NEW YORK, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND THE UNIFORM
GUIDANCE**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2021



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Amber Charter Schools and Affiliates

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 consolidated financial statements of Amber Charter Schools and Affiliates which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control over Financial Reporting

Management of Amber Charter Schools and Affiliates is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the consolidated financial statements, we considered Amber Charter Schools and Affiliates' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Amber Charter Schools and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Amber Charter Schools and Affiliates' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However as described in the accompanying schedule of findings and questioned costs, we did identify a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Amber Charter Schools and Affiliates' consolidated 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 determination of financial statement amounts. 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*.

Amber Charter Schools and Affiliates' Response to Findings

Amber Charter Schools and Affiliates' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Amber Charter Schools and Affiliates' response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 25, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Amber Charter Schools and Affiliates

Report on Compliance for Each Major Federal Program

We have audited Amber Charter Schools and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Amber Charter Schools and Affiliates' major federal programs for the year ended June 30, 2021. Amber Charter Schools and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Amber Charter Schools and Affiliates' 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 (CFR) 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 Amber Charter Schools and Affiliates' 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 the major federal program. However, our audit does not provide a legal determination on Amber Charter Schools and Affiliates' compliance.

Opinion on Each Major Program

In our opinion, Amber Charter Schools and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Amber Charter Schools and Affiliates 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 Amber Charter Schools and Affiliates' 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 our opinion on compliance for the 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 Amber Charter Schools and Affiliates' 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on 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.

Report on Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance

We have audited the consolidated financial statements of Amber Charter Schools and Affiliates as of and for the year ended June 30, 2021, and have issued our report thereon dated October 25, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 25, 2021

AMBER CHARTER SCHOOLS AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 469,142
Title IIA - Improving Teacher Quality	84.367	0147	49,682
Title IV - Student Support and Academic Enrichment Charter Schools Program - Replication and Expansion of High-Quality Charter Schools	84.424	0204	32,867
COVID-19 Charter Schools Program	84.282M	C403547	243,172
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.282		49,950
	84.425D	5890	<u>191,428</u>
TOTAL DEPARTMENT OF EDUCATION			1,036,241
U.S. Department of Agriculture:			
<u>Passed through NYS Department of Education</u>			
<i>Child Nutrition Cluster</i>			
Summer Food Service Program	10.559	1000001406	<u>112,047</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>112,047</u>
TOTAL ALL PROGRAMS			<u>\$ 1,148,288</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of federal awards (the “schedule”) includes the federal grant activity of Amber Charter Schools and Affiliates and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Amber Charter Schools and Affiliates has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

AMBER CHARTER SCHOOLS AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness (es) identified?	<u> x </u>	yes	<u> </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u>	yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> </u>	yes	<u> x </u> no

Federal Awards

Internal control over major programs:			
• Material weakness (es) identified?	<u> </u>	yes	<u> x </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u>	yes	<u> x </u> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	<u> </u>	yes	<u> x </u> no

Identification of major program:

AL Number:

84.010

Name of Federal Program or Cluster:

Title I - Grants to Local Educational Agencies

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

 \$750,000

Auditee qualified as low-risk auditee?	<u> </u>	yes	<u> x </u>	no
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AMBER CHARTER SCHOOLS AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2021-001

Statement of condition

During our 2021 audit, we noted certain statement of financial position balances were understated for Amber Schools Foundation, Inc. and specifically Inwood 532 West 215th Street, LLC.

According to accounting principles generally accepted in the United States of America, interest incurred on debt during a construction renovation project is capitalized as part of the construction in progress and amortized over the life of the building renovations or the remaining term of the lease when the construction is complete and the building is placed into service.

In addition, costs incurred as part of the debt issuance are capitalized as debt issuance costs and amortized over the term of the debt incurred.

Lastly, the Organization did not record the funding of the debt service reserve cash account which was funded as part of the debt borrowing.

As a result of the above findings, restricted cash, property and equipment, debt issuance costs, and long-term debt were understated at June 30, 2021. This resulted in a significant audit adjustment of approximately \$213,000 to restricted cash, \$51,600 to property and equipment, \$341,000 to debt issuance costs and \$605,600 to long-term debt.

Criteria and effect of conditions

According to accounting principles generally accepted in the United States of America, the Organization should capitalize interest incurred on debt related to building renovations. These costs will be amortized over the life of the building or the remaining term of the lease when the construction is complete and the building is placed into service. Also, according to accounting principles generally accepted in the United States of America, costs incurred as part of the debt issuance are capitalized as debt issuance costs and amortized over the term of the debt incurred. Lastly, all reserve accounts related to debt incurred which are subsequently funded should be recorded.

Recommendation

We recommend the Organization review all debt agreements and ensure balances are recorded in accordance with accounting principles generally accepted in the United States of America.

AMBER CHARTER SCHOOLS AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2021

Management response

For context, these reporting oversights were made as part of Amber Charter Schools' largest construction project (Inwood) occurring over this past year during COVID. The Amber Charter Schools is in the process of disaffiliating (legally and fiscally) with the Amber Schools Foundation (with Inwood LLC being an entity under the foundation) also over this past year. As such, we have two fiscal teams working with our lender team and a complex set of closing documents. Moving forward:

1. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to increase communication and oversight of consolidated financial statements.
2. We acknowledge the need to review all debt agreements and ensure balances are recorded in accordance with US GAAP principles going forward. Incurred interest on debt related to building renovations will be capitalized. These costs will be amortized over the life of the building or the remaining term of the lease upon construction completion. Additional costs incurred as part of debt issuance will be capitalized as debt issuance costs and amortized over the term of the debt. Lastly, the debt reserve account will be reconciled monthly going forward.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

None.

AMBER CHARTER SCHOOLS AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2021

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2020-001

Statement of condition

During our 2020 audit, we noted certain professional consulting fees were overstated. According to accounting principles generally accepted in the United States of America, certain architect and construction costs should be capitalized as construction in progress as part of the cost of the building renovations and amortized over the life of the building renovations or the remaining term of the lease when the construction is complete and the building is placed into service. Management had expensed these items. This resulted in a significant audit adjustment of approximately \$249,000 to capitalize these items as construction in progress.

During our audit, we noted rent expense was overstated. According to accounting principles generally accepted in the United States of America, a rental lease agreement which includes escalation clauses should be recognized on a straight-line basis over the term of the agreement. Effective July 1, 2019, a first amendment to the lease agreement with the third party had been signed, changing the amount of the lease for the period July 1, 2019 through June 30, 2021. Management did not take this amendment into consideration when calculating the straight-line basis of the lease agreement. This resulted in a material audit adjustment to record a reduction in rent expense of approximately \$976,000.

Criteria and effect of conditions

According to accounting principles generally accepted in the United States of America, the Organization should capitalize all architect fees and construction costs as part of the cost of the building renovations. These costs will be amortized over the life of the building or the remaining term of the lease when the construction is complete and the building is placed into service. Also, according to accounting principles generally accepted in the United States of America, the Organization should recognize rent expense on a straight-line basis and record the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease receivable (liability).

Recommendation

We recommend the Organization review all professional consulting fees and ensure that all architect and construction costs are properly capitalized in accordance with accounting principles generally accepted in the United States of America. Further, we recommend the Organization review all rental lease agreements and ensure the expense is recorded in accordance with accounting principles generally accepted in the United States of America.

Management response

Management agrees with the adjustment of the architect cost from professional consulting fees to capitalize the cost as construction is in progress. Management has reviewed the Element of Cost (U.S. GAAP) 360 Property, Plant and Equipment to ensure all associated construction costs are booked properly.

Management agrees with the rent expense adjustments. Management will ensure the lease amendments are reviewed and accounted for on the straight-line basis before closing the fiscal year.

Status

See Finding 2021-001.



October 25, 2021

Corrective Action Plan – Year ended June 30, 2021
Finding 2021-001

Statement of Condition

During our 2021 audit, we noted certain statement of financial position balances were understated for Amber Schools Foundation and specifically Inwood 532 West 215th Street, LLC.

According to accounting principles generally accepted in the United States of America, interest incurred on debt during a construction renovation project is capitalized as part of the construction in progress and amortized over the life of the building renovations or the remaining term of the lease when the construction is complete and the building is placed into service.

In addition, costs incurred as part of the debt issuance are capitalized as debt issuance costs and amortized over the term of the debt incurred.

Lastly, the Organization did not record the funding of the debt service reserve cash account which was funded as part of the debt borrowing.


As a result of the above findings, restricted cash, property and equipment, debt issuance costs, and long-term debt were understated at June 30, 2021. This resulted in a significant audit adjustment of approximately \$213,000 to restricted cash, \$51,600 to property and equipment, \$341,000 to debt issuance costs and \$605,600 to long-term debt.

Corrective Action Plan

For context, these reporting oversights were made as part of Amber Charter Schools' largest construction project (Inwood) occurring over this past year during COVID. The Amber Charter Schools is in the process of disaffiliating (legally and fiscally) with the Amber Schools Foundation (with Inwood LLC being an entity under the foundation) also over this past year. As such, we have two fiscal teams working with our lender team and a complex set of closing documents. Moving forward:

1. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to increase communication and oversight of consolidated financial statements.
2. We acknowledge the need to review all debt agreements and ensure balances are recorded in accordance with US GAAP principles going forward. Incurred interest on debt related to building renovations will be capitalized. These costs will be amortized over the life of the building or the remaining term of the lease upon construction completion. Additional costs incurred as part of debt issuance will be capitalized as debt issuance costs and amortized over the term of the debt. Lastly, the debt reserve account will be reconciled monthly going forward.


Joey Gustafson
Managing Director
Amber Schools Foundation


Kirsys A Gomez
Chief Administration & Finance Officer
Amber Charter Schools

AMBER CHARTER SCHOOLS AND AFFILIATES

ADVISORY COMMENT LETTER

JUNE 30, 2021



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 25, 2021

Board of Trustees
Amber Charter Schools and Affiliates

In planning and performing our audit of the consolidated financial statements of Amber Charter Schools and Affiliates (the “Organization”) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization’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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore material weaknesses may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiency in the Organization’s internal control to be a material weakness:

Audit adjustments

During our 2021 audit, we noted certain statement of financial position balances were understated for Amber Schools Foundation, Inc. and specifically Inwood 532 West 215th Street, LLC.

According to accounting principles generally accepted in the United States of America, interest incurred on debt during a construction renovation project is capitalized as part of the construction in progress and amortized over the life of the building renovations or the remaining term of the lease when the construction is complete and the building is placed into service.

In addition, costs incurred as part of the debt issuance are capitalized as debt issuance costs and amortized over the term of the debt incurred.

Lastly, the Organization did not record the funding of the debt service reserve cash account which was funded as part of the debt borrowing.

As a result of the above findings, restricted cash, property and equipment, debt issuance costs, and long-term debt were understated at June 30, 2021. This resulted in a significant audit adjustment of approximately \$213,000 to restricted cash, \$51,600 to property and equipment, \$341,000 to debt issuance costs and \$605,600 to long-term debt.

Recommendation

We recommend the Organization review all debt agreements and ensure balances are recorded in accordance with accounting principles generally accepted in the United States of America.

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This communication is intended solely for the information and use of Management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Organization’s consolidated financial statements. Should you have any questions or comments, please contact Michelle Cain or Kate VanBramer.

Very truly yours,



MENGEL, METZGER, BARR & CO. LLP