

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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
Atmosphere Academy Public Charter School

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atmosphere Academy Public Charter School as of June 30, 2021, and the changes in its net assets and its 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 have previously audited Atmosphere Academy Public Charter School's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 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 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 26, 2021 on our consideration of Atmosphere Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Atmosphere Academy Public Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 26, 2021

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals for 2020)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 141,094	\$ 9,934
Grants and contract receivables	350,952	150,650
Contributions and other receivables	13,419	14,784
Prepaid expenses and other current assets	<u>142,499</u>	<u>61,795</u>
TOTAL CURRENT ASSETS	647,964	237,163
 <u>PROPERTY AND EQUIPMENT, net</u>	 1,729,435	 899,391
 <u>OTHER ASSETS</u>		
Cash in escrow	75,089	75,074
Deposits	<u>257,913</u>	<u>240,932</u>
TOTAL ASSETS	<u>\$ 2,710,401</u>	<u>\$ 1,452,560</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 997,447	\$ 324,394
Current portion of loans from related party	150,000	167,500
Due to NYC Department of Education	<u>-</u>	<u>130,027</u>
TOTAL CURRENT LIABILITIES	1,147,447	621,921
 <u>OTHER LIABILITIES</u>		
Long-term loans from related party	210,000	360,000
Deferred lease liability	<u>394,216</u>	<u>254,048</u>
OTHER LIABILITIES	<u>604,216</u>	<u>614,048</u>
TOTAL LIABILITIES	<u>1,751,663</u>	<u>1,235,969</u>
 <u>NET ASSETS</u>		
Without donor restrictions	<u>958,738</u>	<u>216,591</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,710,401</u>	<u>\$ 1,452,560</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 9,488,740	\$ 6,607,545
Students with disabilities	1,303,623	911,447
Grants and contracts:		
State and local	33,109	112,261
Federal - Title and IDEA	411,174	378,423
Federal - other	185,467	-
NYC DOE Rental assistance	<u>2,462,099</u>	<u>1,859,200</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	13,884,212	9,868,876
 Expenses:		
Program services:		
Regular education	8,294,226	5,987,745
Special education	<u>2,928,016</u>	<u>2,118,370</u>
TOTAL PROGRAM SERVICES	11,222,242	8,106,115
Management and general	<u>1,933,820</u>	<u>1,544,950</u>
TOTAL OPERATING EXPENSES	<u>13,156,062</u>	<u>9,651,065</u>
 SURPLUS FROM SCHOOL OPERATIONS	728,150	217,811
 Support and other revenue:		
Contributions:		
Individuals	20	773
Fundraising	1,864	20,855
Other income	-	8,705
Sublease rental income	12,000	12,000
Interest income	<u>113</u>	<u>65</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>13,997</u>	<u>42,398</u>
 CHANGE IN NET ASSETS	742,147	260,209
 Net assets (deficiency) at beginning of year	<u>216,591</u>	<u>(43,618)</u>
NET ASSETS AT END OF YEAR	<u>\$ 958,738</u>	<u>\$ 216,591</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

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

	No. of Positions June 30, 2021	Year ended June 30,						2020
		2021			2020			
		Program Services			Supporting Services			
	Regular Education	Special Education	Sub-total	Management and General	Sub-total	Total	Total	
Personnel services costs:								
Administrative staff personnel	19	\$ 1,109,316	\$ 281,120	\$ 1,390,436	\$ 882,676	\$ 882,676	\$ 2,273,112	\$ 1,740,463
Instructional personnel	53	3,245,125	1,287,770	4,532,895	2,973	2,973	4,535,868	3,127,640
Total salaries and wages	72	4,354,441	1,568,890	5,923,331	885,649	885,649	6,808,980	4,868,103
Fringe benefits and payroll taxes		986,427	355,406	1,341,833	200,629	200,629	1,542,462	1,020,515
Retirement		180,386	64,993	245,379	36,689	36,689	282,068	195,138
Legal services		-	-	-	35,810	35,810	35,810	27,367
Accounting/Audit services		-	-	-	21,400	21,400	21,400	21,800
Other Purchased/Professional/Consulting Services		143,739	51,789	195,528	224,105	224,105	419,633	285,787
Building rent		1,250,478	450,543	1,701,021	254,334	254,334	1,955,355	1,801,027
Repairs and maintenance		206,029	74,232	280,261	41,904	41,904	322,165	162,977
Insurance		45,162	16,272	61,434	9,186	9,186	70,620	64,705
Utilities		39,684	14,298	53,982	8,071	8,071	62,053	51,052
Supplies/Materials		210,157	53,257	263,414	-	-	263,414	192,089
Equipment/Furnishings		50,585	15,169	65,754	4,471	4,471	70,225	11,530
Staff development		39,096	9,938	49,034	57	57	49,091	30,565
Marketing/Recruitment		119,487	35,009	154,496	8,999	8,999	163,495	90,437
Technology		199,780	71,980	271,760	54,187	54,187	325,947	134,043
Food service		21,920	5,555	27,475	-	-	27,475	9,110
Student services		190,004	48,150	238,154	-	-	238,154	233,265
Office expense		10,807	3,894	14,701	98,292	98,292	112,993	152,688
Depreciation and amortization		223,114	80,387	303,501	45,379	45,379	348,880	255,559
Other		22,930	8,254	31,184	4,658	4,658	35,842	43,308
		\$ 8,294,226	\$ 2,928,016	\$ 11,222,242	\$ 1,933,820	\$ 1,933,820	\$ 13,156,062	\$ 9,651,065

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

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	\$ 742,147	\$ 260,209
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	348,880	255,559
Changes in certain assets and liabilities affecting operations:		
Grants and contract receivables	(200,302)	(48,044)
Contributions and other receivables	1,365	(10,111)
Pledge receivable - related party	-	50,000
Prepaid expenses and other current assets	(80,704)	(36,203)
Deposits	(16,981)	(51,026)
Accounts payable and accrued expenses	355,886	(226,321)
Deferred lease liability	140,168	81,891
Due to NYC Department of Education	(130,027)	(169,209)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,160,432	106,745
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(861,757)	(302,345)
NET CASH USED FOR INVESTING ACTIVITIES	(861,757)	(302,345)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings from a related party	260,000	427,500
Repayments to a related party	(427,500)	(440,000)
NET CASH USED FOR FINANCING ACTIVITIES	(167,500)	(12,500)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	131,175	(208,100)
Cash and restricted cash at beginning of year	85,008	293,108
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 216,183</u>	<u>\$ 85,008</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 26,967</u>	<u>\$ 20,440</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable and accrued expenses	<u>\$ 317,167</u>	<u>\$ -</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Atmosphere Academy Public Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School is a middle school with the mission of preparing students to be ready for college, career and life. On October 16, 2014 the Board of Trustees of the University of the State of New York (SUNY) granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On January 31, 2020, the Charter School obtained a renewal through July 31, 2025. In May 2021, SUNY approved a revision to the Charter School's charter to open a High School in the 2022-2023 school year.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

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 Charter School had no net assets with donor restrictions at June 30, 2021 or 2020.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation 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 Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash and restricted cash balances for the years ended June 30, 2021 and 2020 consisted of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 141,094	\$ 9,934
Cash in escrow	<u>75,089</u>	<u>75,074</u>
	<u>\$ 216,183</u>	<u>\$ 85,008</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve.

Revenue and support recognition

Revenue from Exchange Transactions: The Charter School 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.

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School 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 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 Charter School 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 Charter School 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.

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

	June 30,		
	2021	2020	2019
Contracts receivable	\$ 58,425	\$ 8,618	\$ 69,522

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Contributions

The Charter School 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 support 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.

Grant revenue

Some of the Charter School'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 Charter School 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 \$175,857 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred. There were no cost-reimbursement grants that had not been recognized at June 30, 2020.

Grants and other receivables

Grants and other 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.

Pledges receivable

Pledges receivable represent unconditional promises to give. Pledges that are expected to be collected within one year are recorded at their realizable value. Those that are to be collected in future years are recorded at the present value of estimated future collections. There were no pledges receivable 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 seven years. Leasehold improvements are being amortized over the term of the lease.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Deferred rent benefit/liability

The Charter School leases its facilities. The leases contain pre-determined changes of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis over the lease terms and records the difference between the recognized rental expense and the amounts payable under the leases as a deferred rent benefit or liability.

Contributed services

The Organization receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

The Charter School received no contributed services for consulting and legal services for the years ended June 30, 2021 and 2020.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. 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 the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$163,500 and \$90,400 for the years ended June 30, 2021 and 2020, respectively.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

In-kind contributions

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

Deposits

Deposits are made up of payments to third parties in connection with facility lease agreements.

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.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

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 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 Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’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 required 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 Charter School is currently evaluating the provisions of this update to determine the impact it will have on the Charter School’s financial statements.

Reclassifications

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 26, 2021, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note D.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School’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 Charter School 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.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced 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 Charter School's cash and shows positive cash generated by operations for fiscal year 2021.

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	\$ 141,094	\$ 9,934
Grants and contract receivables	350,952	150,650
Contributions and other receivables	<u>13,419</u>	<u>14,784</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 505,465</u>	<u>\$ 175,368</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 597,602	\$ 357,523
Office and classroom equipment	256,424	247,297
Leasehold improvements	1,736,515	869,927
Software	17,434	17,434
Computers and equipment	340,445	284,129
Construction in progress	<u>17,815</u>	<u>11,000</u>
	2,966,235	1,787,310
Less accumulated depreciation	<u>1,236,800</u>	<u>887,919</u>
	<u>\$ 1,729,435</u>	<u>\$ 899,391</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE D: SCHOOL FACILITIES

The Charter School leases its facilities from a third party with current monthly payments of \$78,300, and monthly payments escalate through June 2029. Rent expense incurred under this lease for the years ended June 30, 2021 and 2020 was approximately \$717,000 and \$760,000, respectively. In August 2020, this lease was amended for the cost of improvements totaling \$198,765 to be included as supplemental rent to be paid on or before September 30, 2020. The Charter School has two sublease agreements for this facility for the use of space during the summer months and after school. Sublease rental income for these agreements for both the years ended June 30, 2021 and 2020 approximated \$12,000.

The Charter School leases a second location from a third party with current monthly payments of \$53,800, and monthly payments escalate through August 2022. In August 2021, this lease was amended to extend the lease with monthly escalating payments through July 2026, including \$1,500,000 of additional rent for improvements and relocation of offices. The additional rent is to be paid annually in installments ranging from \$100,000 to \$600,000 until paid in full and is included in the future minimum payments below. Rent expense for this location approximated \$548,000 and \$540,000 for the years ended June 30, 2021 and 2020, respectively.

In April 2017, the Charter School entered into a 10 year agreement with a third party to lease a third location with escalating monthly payments of approximately \$30,000 per month. The lease went into effect when the School received the certificate of occupancy in November 2018. In August 2020, the lease was amended for additional space leased to the School. The lease amendment went into effect when the School received the temporary certificate of occupancy in March 2021. The additional space requires current monthly payments of approximately \$72,000 per month through March 2023, then \$29,500 per month through October 2028. Rent expense for this location approximated \$425,000 and \$339,000 for the years ended June 30, 2021 and 2020. There is an additional lease for parking at this location for \$4,225 per month through November 2021. In December 2020, the lease for parking was amended to extend the lease with monthly escalating payments of approximately \$7,200 through October 2028.

The lease agreements call for changes in the monthly lease payments. The deferred rent liability represents the difference between what will be paid by the Charter School and what is due based on a straight-line calculation of rent over the term of the leases.

The future minimum payments required under the agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 3,430,000
2023	3,458,100
2024	2,658,600
2025	2,697,600
2026	2,597,600
Thereafter	5,023,300
	<u>\$ 19,865,200</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE E: 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 Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE F: CONCENTRATIONS

At June 30, 2021 and 2020, approximately 100% of grants and contract receivables are due from New York State and federal agencies relating to certain grants.

For both the years ended June 30, 2021 and 2020, approximately 95% of total revenue, gains, and other support came from per-pupil funding and rental assistance provided by New York State through the New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees are immediately eligible to participate in the Plan. The Plan allows for the Charter School to make a matching contribution to the Plan. The Charter School contributed approximately \$282,000 and \$195,000 to the Plan for the years ended June 30, 2021 and 2020, respectively.

NOTE H: OPERATING LEASE

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$6,900 that will expire at various dates through March 2024. The future minimum payments on these agreements is approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 52,100
2023	36,500
2024	<u>27,400</u>
	<u>\$ 116,000</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE I: 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 J: DUE TO NYC DEPARTMENT OF EDUCATION

Amounts due to the NYC Department of Education represented overpayments related to lease assistance provided by the City for school facilities. These amounts consisted of \$130,027 at June 30, 2020 and is included as a liability in the accompanying statement of financial position, which was repaid in full during 2021.

NOTE K: RELATED PARTY TRANSACTIONS

Loans from related party is summarized as follows:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Restructured note payable to a Board Trustee with principal due in three annual installments of \$150,000, one installment of \$60,000, with interest at prime plus 100 basis points, which resets annually (4.25% at June 30, 2021) through July 2023.	\$ 360,000	\$ 360,000
Notes repaid in 2021	-	167,500
	<u>360,000</u>	<u>527,500</u>
Less current portion	<u>150,000</u>	<u>167,500</u>
	<u>\$ 210,000</u>	<u>\$ 360,000</u>

Annual maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 150,000
2023	150,000
2024	<u>60,000</u>
	<u>\$ 360,000</u>

The Charter School also received and repaid a note in the amount of \$260,000 to the Board Trustee during the year ended June 30, 2021.

The Charter School is related to Atmosphere Foundation, Inc. (the "Foundation") through common board representation. There were no contributions from the Foundation for the years ended June 30, 2021 and 2020.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE L: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	<u>2021</u>	<u>2020</u>
Undesignated	\$ (770,697)	\$ (682,800)
Invested in property and equipment	<u>1,729,435</u>	<u>899,391</u>
	<u>\$ 958,738</u>	<u>\$ 216,591</u>

NOTE M: 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 corona virus (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 Charter School’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 Charter School 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, 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 Charter School has recognized \$185,467 of revenue relative to ESSER grants during the year ended June 30, 2021.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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
Atmosphere Academy Public Charter School

We have audited, 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, the financial statements of Atmosphere Academy Public Charter School, which comprise the statement of financial position as of June 30, 2021 and the related statements of activities and changes in net assets – without donor restrictions, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atmosphere Academy Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Atmosphere Academy Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Atmosphere Academy Public Charter School's internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atmosphere Academy Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We noted certain matters that we have reported to management of Atmosphere Academy Public Charter School in a separate letter dated October 26, 2021.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 26, 2021

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2021



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 26, 2021

Board of Trustees
Atmosphere Academy Public Charter School

In planning and performing our audit of the financial statements of Atmosphere Academy Public Charter School (the “Charter School”) 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 Charter School’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A 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.

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

During the course of our audit of the financial statements of Atmosphere Academy Public Charter School as of and for the year ended June 30, 2021, we observed the Charter School’s significant accounting policies and certain business, financial and administrative practices. As a result of our observations, we noted the following, which we do not consider to be a significant deficiency or material weakness:

- 1 -

Status of matters included in our letter as of June 30, 2020, dated September 30, 2020:

Review of Bank Reconciliations

During our audit, we noted that with the transition of Board Treasurer's during the fiscal year, bank reconciliations were being reviewed by the financial consultant and not the Board Treasurer as required by the Charter School's finance policy.

Recommendation

We recommend the Charter School update its financial procedures and policies manual to reflect their current procedures over review of bank reconciliations.

Status as of June 30, 2021

During our current year audit, we noted the Charter School updated their financial policies for the review of bank reconciliations to be performed by their financial consultants.

Credit Card Support and Approvals

During our audit testing, we noted several transactions where receipts were not maintained to support credit card purchases, as required by the Charter School's finance policies. In addition, we noted the Principal did not document approval of March 2020 credit card purchases either electronically or on the Debit Card Purchasing Log.

Recommendation

We recommend the Charter School follow credit card procedures as stated in the Charter School's finance policies.

Status as of June 30, 2021

During our current year audit, we noted no instances of support of credit card purchases being unavailable or undocumented approval of credit card purchases.

* * * * *

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 Charter School's financial statements. Should you have any questions or comments, please contact Shelby Stenson.

Very truly yours,



MENGEL, METZGER, BARR & CO. LLP