

Zeta Charter Schools - New York City

Financial Statements and
Uniform Guidance Schedules
Together with Independent Auditors' Reports

June 30, 2021 and 2020

Zeta Charter Schools - New York City
Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Report

June 30, 2021 and 2020

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Independent Auditors' Report

Board of Trustees
Zeta Charter Schools - New York City

Report on the Financial Statements

We have audited the accompanying financial statements of Zeta Charter Schools - New York City (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 the School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by School for the year ended June 30, 2021 on pages 17 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 22 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 25, 2021

Zeta Charter Schools - New York City

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Current Assets		
Cash	\$ 3,185,044	\$ 1,050,513
Grants and contracts receivable	2,973,128	1,120,913
Prepaid expenses	261,275	83,332
Total Current Assets	6,419,447	2,254,758
Property and equipment, net	1,674,403	541,859
Restricted cash	200,200	200,121
	\$ 8,294,050	\$ 2,996,738
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 466,938	\$ 289,660
Accrued payroll and payroll taxes	457,586	250,338
Refundable advances	35,110	41,226
Deferred rent, current portion	666,891	699,128
Loan payable, current portion	309,458	-
Due to related party	791,312	676,469
Total Current Liabilities	2,727,295	1,956,821
Deferred rent	331,219	58,259
Paycheck Protection Program loan payable	-	784,470
Loan payable, net	246,121	-
Total Liabilities	3,304,635	2,799,550
Net assets, without donor restrictions	4,989,415	197,188
	\$ 8,294,050	\$ 2,996,738

Zeta Charter Schools - New York City

Statements of Activities

	Year Ended June 30,	
	2021	2020
OPERATING REVENUE		
State and Local Per Pupil Operating Revenue		
General education	\$ 13,798,466	\$ 7,564,311
Special education	1,932,681	1,048,835
Universal pre-kindergarten	280,000	-
Facilities	3,333,645	2,265,832
Federal grants	3,622,339	1,310,851
Federal IDEA and E-rate	184,832	112,750
State grants	55,956	138,824
Total Operating Revenue	23,207,919	12,441,403
EXPENSES		
Program Services		
Regular education	14,103,165	8,484,313
Special education	3,275,630	2,135,030
Total Program Services	17,378,795	10,619,343
Supporting Services		
Management and general	1,816,891	1,349,319
Fundraising	58,362	67,986
Total Expenses	19,254,048	12,036,648
 Surplus from Operations	 3,953,871	 404,755
SUPPORT AND OTHER REVENUE		
Contributions	27,518	10,000
Grants from Network	-	313,528
Donated services	3,428	30,374
Gain on forgiveness of Paycheck Protection Program loan	784,470	-
Other income	22,940	10,173
Total Support and Other Revenue	838,356	364,075
 Change in Net Assets	 4,792,227	 768,830
NET ASSETS		
Beginning of year	197,188	(571,642)
 End of year	 \$ 4,989,415	 \$ 197,188

See notes to financial statements

Zeta Charter Schools - New York City

Statement of Functional Expenses
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	24	\$ 1,005,609	\$ 198,536	\$ 1,204,145	\$ 401,365	\$ -	\$ 1,605,510
Instructional personnel	99	4,382,753	886,680	5,269,433	-	-	5,269,433
Non-instructional personnel	5	-	-	-	25,282	-	25,282
Total Salaries and Staff	<u>128</u>	<u>5,388,362</u>	<u>1,085,216</u>	<u>6,473,578</u>	<u>426,647</u>	<u>-</u>	<u>6,900,225</u>
Fringe benefits and payroll taxes		1,064,043	214,476	1,278,519	83,839	-	1,362,358
Retirement		95,330	19,140	114,470	7,755	-	122,225
Management company fees		1,968,144	395,559	2,363,703	496,088	58,362	2,918,153
Legal services		11,702	2,317	14,019	2,700	-	16,719
Accounting/audit services		-	-	-	355,207	-	355,207
Other purchased/professional/consulting services		156,687	60,305	216,992	29,067	-	246,059
Building and land rent/lease		3,080,527	619,338	3,699,865	231,215	-	3,931,080
Repairs and maintenance		-	-	-	7,013	-	7,013
Supplies/materials		345,504	229,881	575,385	5,133	-	580,518
Equipment/furnishings		41,027	8,284	49,311	3,194	-	52,505
Staff development		240,895	50,676	291,571	17,427	-	308,998
Marketing/recruitment		499,816	181,407	681,223	10,818	-	692,041
Technology		362,736	114,668	477,404	20,298	-	497,702
Food service		154,616	144,814	299,430	-	-	299,430
Student services		79,845	25,418	105,263	-	-	105,263
Office expense		236,788	47,741	284,529	49,497	-	334,026
Depreciation and amortization		375,034	75,961	450,995	27,837	-	478,832
Other		2,109	429	2,538	43,156	-	45,694
Total Expenses		<u>\$ 14,103,165</u>	<u>\$ 3,275,630</u>	<u>\$ 17,378,795</u>	<u>\$ 1,816,891</u>	<u>\$ 58,362</u>	<u>\$ 19,254,048</u>

Zeta Charter Schools - New York City

Statement of Functional Expenses
Year Ended June 30, 2020

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	18	\$ 595,333	\$ 132,557	\$ 727,890	\$ 247,260	\$ -	\$ 975,150
Instructional personnel	52	2,336,471	644,428	2,980,899	10,669	-	2,991,568
Total Salaries and Staff	<u>70</u>	2,931,804	776,985	3,708,789	257,929	-	3,966,718
Fringe benefits and payroll taxes		636,491	169,151	805,642	56,117	-	861,759
Retirement		84,915	22,639	107,554	7,524	-	115,078
Management company fees		1,106,139	236,592	1,342,731	288,942	67,986	1,699,659
Legal services		22,559	5,974	28,533	1,841	-	30,374
Accounting/audit services		-	-	-	484,677	-	484,677
Other purchased/professional/consulting services		87,170	18,608	105,778	28,000	-	133,778
Building and land rent/lease		1,892,473	497,939	2,390,412	152,795	-	2,543,207
Supplies/materials		346,063	80,274	426,337	-	-	426,337
Equipment/furnishings		43,152	11,362	54,514	5,120	-	59,634
Staff development		125,982	33,580	159,562	10,356	-	169,918
Marketing/recruitment		437,309	95,080	532,389	10,833	-	543,222
Technology		174,574	42,747	217,321	14,746	-	232,067
Food service		215,424	47,246	262,670	-	-	262,670
Student services		62,469	13,559	76,028	-	-	76,028
Office expense		145,457	38,298	183,755	16,632	-	200,387
Depreciation and amortization		141,798	36,980	178,778	11,281	-	190,059
Other		30,534	8,016	38,550	2,526	-	41,076
Total Expenses		<u>\$ 8,484,313</u>	<u>\$ 2,135,030</u>	<u>\$ 10,619,343</u>	<u>\$ 1,349,319</u>	<u>\$ 67,986</u>	<u>\$ 12,036,648</u>

Zeta Charter Schools - New York City

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,792,227	\$ 768,830
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	478,832	190,059
Deferred rent	240,723	189,598
Amortization of debt issuance costs	2,353	-
Gain on forgiveness of Paycheck Protection Program loan	(784,470)	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(1,852,215)	(262,870)
Prepaid expenses	(177,943)	12,175
Accounts payable and accrued expenses	177,278	157,797
Accrued payroll and payroll taxes	207,248	64,045
Refundable advances	(6,116)	20,806
Due to related party	114,843	(1,451,368)
Net Cash from Operating Activities	3,192,760	(310,928)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,611,376)	(358,714)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan payable	-	784,470
Proceeds from loan payable	553,226	-
Net Cash from Financing Activities	553,226	784,470
Net Change in Cash and Restricted Cash	2,134,610	114,828
CASH AND RESTRICTED CASH		
Beginning of year	1,250,634	1,135,806
End of year	\$ 3,385,244	\$ 1,250,634
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 21,259	\$ -

See notes to financial statements

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Tax Status

Zeta Charter Schools – New York City (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 2, 2018 to operate charter schools pursuant to Article 56 of the Education Law of the State of New York. The School's mission is to build and sustain high-performing schools that forge thriving communities of lifelong learners, problem solvers, and innovators. The School was granted a provisional charter on January 2, 2018 to operate Zeta Charter Schools – Inwood 1 ("Inwood 1") and Zeta Charter Schools – Bronx 1 ("Bronx 1"), valid for a term of five years and renewable upon expiration by the Board of Regents of The University of the State of New York (the "Board of Regents"). The charter will expire on July 21, 2023. Classes for Bronx 1 and Inwood 1 commenced in the fall of 2018. On June 6, 2019, the Board of Regents approved an amendment of the original charter to operate Zeta Charter School – New York City 3 ("Mount Eden") and Zeta Charter School – New York City 4 ("Tremont Park"). The School was granted a provisional charter on June 6, 2019 for Mount Eden and Tremont Park, valid for a term of five years and renewable upon expiration by the Board of Regents. The charter will expire on June 6, 2024. Mount Eden and Tremont Park commenced in the fall of 2020. The School provided education to approximately 853 students in kindergarten through third grades during the 2020-2021 academic year.

Beginning in July 2020, the School was awarded a contract with the New York City Department of Education ("NYCDOE") to operate a universal pre-kindergarten program. The contract expires on June 30, 2022. The School provided education to approximately 20 students during the 2020-2021 academic year.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Assets Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2021 and 2020

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

Net Assets Presentation (continued)

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2021 and 2020.

Restricted Cash

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

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows as of June 30:

	2021	2020
Cash	\$ 3,185,044	\$ 1,050,513
Restricted Cash	200,200	200,121
	<u>\$ 3,385,244</u>	<u>\$ 1,250,634</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

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

Computers and equipment	3 years
Furniture and fixtures	3 years
Leasehold improvements	3 years

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2021 and 2020.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Debt Issuance Costs

Debt issuance costs are reported on the statement of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the interest method. The School reflects amortization of debt issuance costs within other expense on the accompanying statements of functional expenses. Unamortized debt issuance costs at June 30, 2021 and 2020 was \$5,647 and \$0.

Deferred Rent

The School records its rent in accordance with U.S. GAAP whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statements of financial position.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as support with donor restrictions if they are received with donor stipulations. Donor restricted contributions and grants that are made to support the School's current period activities are recorded as revenue without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2021 and 2020

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

Revenue and Support (continued)

Donated Services

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

One entity provided legal services to the School at no charge during the years ended June 30, 2021 and 2020. The value of these services meet the criteria for recognition in the financial statements and was recorded at a fair value of \$3,428 and \$30,374 for the years ended June 30, 2021 and 2020. The value of these services is allocated to management and general services in the accompanying statements of activities and functional expenses.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred. Marketing and recruitment expense for the years ended June 30, 2021 and 2020 was \$692,041 and \$543,222.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. All returns filed by the School are subject to examinations by the applicable taxing authorities.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 25, 2021.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance for doubtful accounts and has determined that such an allowance is not necessary.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2021 and 2020

4. Related Party Transactions (not disclosed elsewhere)

The School is affiliated with Zeta Charter Schools, Inc. (the "Network"), a Delaware non-stock corporation, by common management.

The School entered into an Academic and Business Service Agreement (the "Agreement") with the Network on June 22, 2018, to provide the School with educational management and operational services. The Agreement automatically renews for four consecutive one year periods after the initial one-year term ended on June 30, 2019. Pursuant to the Agreement, the Network is to select and implement educational programs, coaching and professional development to leadership, manage the School's business administration and support the Board of Trustees in all governance issues.

As compensation to the Network for these services, starting July 1, 2018 the School paid an amount equal to 15% of certain revenue specified in the Agreement. For the years ended June 30, 2021 and 2020, the School incurred \$2,918,153 and \$1,699,659 in management fees to the Network.

For operating efficiency and purchasing power, the School shares certain expenses with the Network. The School also reimburses the Network for personnel service costs, fringe benefits and payroll taxes. During the years ended June 30, 2021 and 2020, the School incurred \$652,672 and \$537,621 of net operating expenses, excluding payroll and payroll related expenses, paid by the Network on behalf of the School.

At June 30, 2021 and 2020, net balance due to the Network was \$791,312 and \$676,469.

For the years ended June 30, 2021 and 2020, the Network granted \$0 and \$313,528 to the School.

On July 23, 2018, the School entered into two three-year subleases for school facilities with the Network (see Note 13). The School has the option to extend the subleases for an additional two years in the event that the Network extends its lease for the same space. Lease payments commenced August 1, 2018 and expired on July 30, 2021. The School extended the leases for an additional two years expiring on July 31, 2022 and July 31, 2023.

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

Zeta Charter Schools - New York City

Notes to Financial Statements June 30, 2021 and 2020

5. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 640,844	\$ 204,297
Computers and equipment	1,428,542	587,120
Leasehold improvements	416,020	112,417
Construction in progress	<u>29,804</u>	<u>-</u>
	2,515,210	903,834
Accumulated depreciation and amortization	<u>(840,807)</u>	<u>(361,975)</u>
	<u>\$ 1,674,403</u>	<u>\$ 541,859</u>

Construction in progress at June 30, 2021 consists of soft costs and improvements for School facilities, which will be placed into service upon completion of construction.

6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$ 3,185,044	\$ 1,050,513
Grants and contracts receivable	<u>2,973,128</u>	<u>1,120,913</u>
	<u>\$ 6,158,172</u>	<u>\$ 2,171,426</u>

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

7. Employment Contract

The Network entered into a co-employment arrangement with TriNet Group, Inc. ("TriNet"), a professional employment organization, effective September 20, 2017. Under the co-employment arrangement, TriNet assumed certain employment responsibilities, including the payment and reporting of employees' wages and payroll taxes. The Network charged payroll and payroll-related expenses on a monthly basis to the School. The agreement was terminated during the year ended June 30, 2021.

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2021 and 2020

8. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, it is at the School's discretion to determine the employee match each year. Employer match for years ended June 30, 2021 and 2020 was \$140,383 and \$108,510.

9. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of grants and contracts receivable, and cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit.

The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2021 and 2020 approximately \$3,136,000 and \$995,000 of cash was maintained with an institution in excess of FDIC limits. Management regularly monitors the status of grants and contracts receivable and does not believe that a significant credit and market risk presently exists with regard to these receivables.

10. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2021 and 2020, the School received approximately 80% and 85% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

11. Paycheck Protection Program Loan Payable

On May 1, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$784,470 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for forgiveness of the PPP Loan with respect to these covered expenses.

On April 30, 2021, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$784,470 is included on the accompanying statements of activities under gain on forgiveness of Paycheck Protection Program Loan.

Zeta Charter Schools - New York City

Notes to Financial Statements June 30, 2021 and 2020

12. Loan Payable

Loan payable consists of the following at June 30, 2021:

BlueHub Capital	\$ 561,226
Debt issue costs, unamortized	<u>(5,647)</u>
	555,579
Current portion	<u>(309,458)</u>
	<u>\$ 246,121</u>

On September 18, 2020, the School entered into a \$800,000 loan agreement with BlueHub Capital. The purpose of the loan is to fund tenant improvements and fit-out at the property located at 500 West 138th Street. The note bears interest at 6.25% per annum. Monthly principal and interest payments of \$28,013 commence beginning February 1, 2021. The loan matures on June 30, 2023.

Future maturities of loan payable are as follows for the years ending June 30:

2022	\$ 309,458
2023	<u>251,768</u>
	<u>\$ 561,226</u>

13. Commitments

On July 23, 2018, the School entered into two three-year subleases for school facilities with the Network (see Note 4). The School has the option to extend the subleases for an additional two years in the event that the Network extends its lease for the same space. Lease payments commenced August 1, 2018 and expired on July 30, 2021. The School extended the leases for an additional two years and will expire July 31, 2022 through July 31, 2023.

On July 20, 2021, the School entered into a 36-year sublease for school facilities with the Network (see Note 4). The School has the option to extend the sublease for an additional 13 years in the event that the Network extends its lease for the same space. Lease payments commenced July 1, 2021 and expire on July 30, 2057.

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

2022	\$ 5,610,415
2023	3,816,285
2024	2,137,820
2025	2,000,000
2026	2,000,000
Thereafter	<u>62,166,667</u>
	<u>\$ 77,731,187</u>

Zeta Charter Schools - New York City

Notes to Financial Statements
June 30, 2021 and 2020

13. Commitments (*continued*)

The School recognizes rent expense on a straight-line basis over the terms of the leases. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Rent expense for the years ended June 30, 2021 and 2020 was \$3,931,080 and \$2,543,207.

14. Contingency

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

15. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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Zeta Charter Schools - New York City

Supplementary Information

June 30, 2021

Zeta Charter Schools - New York City

Schedule of Activities by School
Year Ended June 30, 2021

	Inwood 1	Bronx 1	Tremont Park	Mount Eden	Total
OPERATING REVENUE					
State and Local Per Pupil Operating Revenue					
General education	\$ 6,590,775	\$ 5,270,883	\$ 933,538	\$ 1,003,270	\$ 13,798,466
Special education	859,779	779,120	163,059	130,723	1,932,681
Universal pre-kindergarten	280,000	-	-	-	280,000
Facilities	1,177,124	1,589,521	280,061	286,939	3,333,645
Federal grants	966,033	1,318,869	679,321	658,116	3,622,339
Federal IDEA and E-Rate	106,891	55,841	14,468	7,632	184,832
State grants	22,760	23,584	4,806	4,806	55,956
Total Operating Revenue	<u>10,003,362</u>	<u>9,037,818</u>	<u>2,075,253</u>	<u>2,091,486</u>	<u>23,207,919</u>
EXPENSES					
Program Services					
Regular education	6,601,197	4,958,239	1,246,697	1,297,032	14,103,165
Special education	1,345,702	1,454,776	312,533	162,619	3,275,630
Total Program Services	<u>7,946,899</u>	<u>6,413,015</u>	<u>1,559,230</u>	<u>1,459,651</u>	<u>17,378,795</u>
Supporting Services					
Management and general	798,489	513,820	240,052	264,530	1,816,891
Fundraising	25,837	21,881	5,303	5,341	58,362
Total Expenses	<u>8,771,225</u>	<u>6,948,716</u>	<u>1,804,585</u>	<u>1,729,522</u>	<u>19,254,048</u>
Surplus from Operations	<u>1,232,137</u>	<u>2,089,102</u>	<u>270,668</u>	<u>361,964</u>	<u>3,953,871</u>
SUPPORT AND OTHER REVENUE					
Contributions	27,518	-	-	-	27,518
Donated services	857	857	857	857	3,428
Gain on forgiveness of Paycheck Protection Program loan	378,158	367,005	22,120	17,187	784,470
Other income	11,300	3,880	3,880	3,880	22,940
Total Support and Other Revenue	<u>417,833</u>	<u>371,742</u>	<u>26,857</u>	<u>21,924</u>	<u>838,356</u>
Change in Net Assets	1,649,970	2,460,844	297,525	383,888	4,792,227
NET ASSETS (DEFICIT)					
Beginning of year	<u>42,170</u>	<u>168,952</u>	<u>(7,384)</u>	<u>(6,550)</u>	<u>197,188</u>
End of year	<u>\$ 1,692,140</u>	<u>\$ 2,629,796</u>	<u>\$ 290,141</u>	<u>\$ 377,338</u>	<u>\$ 4,989,415</u>

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Inwood 1
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	13	\$ 525,886	\$ 106,469	\$ 632,355	\$ 210,785	\$ -	\$ 843,140
Instructional personnel	59	2,201,034	445,615	2,646,649	-	-	2,646,649
Non-instructional personnel	2	-	-	-	10,298	-	10,298
Total Salaries and Staff	<u>74</u>	<u>2,726,920</u>	<u>552,084</u>	<u>3,279,004</u>	<u>221,083</u>	<u>-</u>	<u>3,500,087</u>
Fringe benefits and payroll taxes		512,921	103,844	616,765	41,538	-	658,303
Retirement		83,991	17,004	100,995	6,802	-	107,797
Management company fees		868,523	177,890	1,046,413	219,619	25,837	1,291,869
Legal services		11,023	2,232	13,255	893	-	14,148
Accounting/audit services		-	-	-	95,256	-	95,256
Other purchased/professional/consulting services		68,412	15,638	84,050	7,379	-	91,429
Building and land rent/lease		1,170,593	236,995	1,407,588	94,797	-	1,502,385
Repairs and maintenance		-	-	-	5,712	-	5,712
Supplies/materials		224,495	50,855	275,350	-	-	275,350
Equipment/furnishings		18,560	3,758	22,318	1,503	-	23,821
Staff development		113,886	23,057	136,943	9,031	-	145,974
Marketing/recruitment		117,194	23,727	140,921	2,007	-	142,928
Technology		164,830	33,371	198,201	9,230	-	207,431
Food service		100,218	20,290	120,508	-	-	120,508
Student services		64,628	13,084	77,712	-	-	77,712
Office expense		116,169	23,519	139,688	30,073	-	169,761
Depreciation and amortization		237,274	48,038	285,312	19,215	-	304,527
Other		1,560	316	1,876	34,351	-	36,227
Total Expenses		<u>\$ 6,601,197</u>	<u>\$ 1,345,702</u>	<u>\$ 7,946,899</u>	<u>\$ 798,489</u>	<u>\$ 25,837</u>	<u>\$ 8,771,225</u>

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Bronx 1
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	5	\$ 229,790	\$ 47,324	\$ 277,114	\$ 92,371	\$ -	\$ 369,485
Instructional personnel	32	1,661,070	342,091	2,003,161	-	-	2,003,161
Non-instructional personnel	1	-	-	-	4,828	-	4,828
Total Salaries and Staff	<u>38</u>	<u>1,890,860</u>	<u>389,415</u>	<u>2,280,275</u>	<u>97,199</u>	<u>-</u>	<u>2,377,474</u>
Fringe benefits and payroll taxes		371,023	76,411	447,434	18,925	-	466,359
Retirement		6,791	1,399	8,190	346	-	8,536
Management company fees		734,851	151,340	886,191	185,991	21,881	1,094,063
Legal services		-	-	-	857	-	857
Accounting/audit services		-	-	-	95,256	-	95,256
Other purchased/professional/consulting services		28,533	32,183	60,716	5,132	-	65,848
Building and land rent/lease		1,419,679	292,378	1,712,057	72,416	-	1,784,473
Repairs and maintenance		-	-	-	1,301	-	1,301
Supplies/materials		31,434	157,687	189,121	-	-	189,121
Equipment/furnishings		15,517	3,196	18,713	792	-	19,505
Staff development		94,995	21,746	116,741	4,821	-	121,562
Marketing/recruitment		45,892	96,089	141,981	1,390	-	143,371
Technology		80,766	59,994	140,760	3,644	-	144,404
Food service		24,525	119,085	143,610	-	-	143,610
Student services		2,131	10,348	12,479	-	-	12,479
Office expense		92,990	19,151	112,141	11,127	-	123,268
Depreciation and amortization		117,703	24,241	141,944	6,004	-	147,948
Other		549	113	662	8,619	-	9,281
Total Expenses		<u>\$ 4,958,239</u>	<u>\$ 1,454,776</u>	<u>\$ 6,413,015</u>	<u>\$ 513,820</u>	<u>\$ 21,881</u>	<u>\$ 6,948,716</u>

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Tremont Park
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	3	\$ 112,429	\$ 27,503	\$ 139,932	\$ 46,628	\$ -	\$ 186,560
Instructional personnel	4	282,315	69,093	351,408	-	-	351,408
Non-instructional personnel	1	-	-	-	3,032	-	3,032
Total Salaries and Staff	<u>8</u>	<u>394,744</u>	<u>96,596</u>	<u>491,340</u>	<u>49,660</u>	<u>-</u>	<u>541,000</u>
Fringe benefits and payroll taxes		96,059	23,684	119,743	11,843	-	131,586
Retirement		1,393	341	1,734	175	-	1,909
Management company fees		172,560	42,231	214,791	45,080	5,303	265,174
Legal services		-	-	-	857	-	857
Accounting/audit services		-	-	-	81,931	-	81,931
Other purchased/professional/consulting services		29,093	8,641	37,734	7,556	-	45,290
Building and land rent/lease		235,141	57,980	293,121	28,990	-	322,111
Supplies/materials		41,685	15,335	57,020	-	-	57,020
Equipment/furnishings		3,784	933	4,717	465	-	5,182
Staff development		15,379	3,787	19,166	1,626	-	20,792
Marketing/recruitment		161,871	39,668	201,539	3,469	-	205,008
Technology		55,037	13,517	68,554	3,141	-	71,695
Food service		14,184	3,472	17,656	-	-	17,656
Student services		2,889	707	3,596	-	-	3,596
Office expense		13,258	3,269	16,527	3,980	-	20,507
Depreciation		9,620	2,372	11,992	1,186	-	13,178
Other		-	-	-	93	-	93
Total Expenses		<u>\$ 1,246,697</u>	<u>\$ 312,533</u>	<u>\$ 1,559,230</u>	<u>\$ 240,052</u>	<u>\$ 5,303</u>	<u>\$ 1,804,585</u>

Zeta Charter Schools - New York City

Schedule of Functional Expenses - Mount Eden
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	3	\$ 137,504	\$ 17,240	\$ 154,744	\$ 51,581	\$ -	\$ 206,325
Instructional personnel	4	238,334	29,881	268,215	-	-	268,215
Non-instructional personnel	1	-	-	-	7,124	-	7,124
Total Salaries and Staff	<u>8</u>	<u>375,838</u>	<u>47,121</u>	<u>422,959</u>	<u>58,705</u>	<u>-</u>	<u>481,664</u>
Fringe benefits and payroll taxes		84,040	10,537	94,577	11,533	-	106,110
Retirement		3,155	396	3,551	432	-	3,983
Management company fees		192,210	24,098	216,308	45,398	5,341	267,047
Legal services		679	85	764	93	-	857
Accounting/audit services		-	-	-	82,764	-	82,764
Other purchased/professional/consulting services		30,649	3,843	34,492	9,000	-	43,492
Building and land rent/lease		255,114	31,985	287,099	35,012	-	322,111
Supplies/materials		47,890	6,004	53,894	5,133	-	59,027
Equipment/furnishings		3,166	397	3,563	434	-	3,997
Staff development		16,635	2,086	18,721	1,949	-	20,670
Marketing/recruitment		174,859	21,923	196,782	3,952	-	200,734
Technology		62,103	7,786	69,889	4,283	-	74,172
Food service		15,689	1,967	17,656	-	-	17,656
Student services		10,197	1,279	11,476	-	-	11,476
Office expense		14,371	1,802	16,173	4,317	-	20,490
Depreciation		10,437	1,310	11,747	1,432	-	13,179
Other		-	-	-	93	-	93
Total Expenses		<u>\$ 1,297,032</u>	<u>\$ 162,619</u>	<u>\$ 1,459,651</u>	<u>\$ 264,530</u>	<u>\$ 5,341</u>	<u>\$ 1,729,522</u>

Zeta Charter Schools - New York City

Uniform Guidance Reports and Schedules

June 30, 2021

Zeta Charter Schools - New York City

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Pass-through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021215480	\$ -	\$ 116,470
Title I Grants to Local Educational Agencies	84.010	0021215485	-	202,926
Title I Grants to Local Educational Agencies	84.010	0021215665	-	39,096
Title I Grants to Local Educational Agencies	84.010	0021215660	-	39,096
			<u>-</u>	<u>397,588</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147215480	-	19,551
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147215485	-	30,714
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147215665	-	5,134
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147215660	-	5,134
			<u>-</u>	<u>60,533</u>
Higher Education Institutional Aid	84.031	0149215480	-	30,852
			<u>-</u>	<u>30,852</u>
Student Support and Academic Enrichment Program	84.424	0204215480	-	10,000
Student Support and Academic Enrichment Program	84.424	0204215485	-	10,000
			<u>-</u>	<u>20,000</u>
COVID-19 - Charter Schools	84.282	0089215480	-	30,014
COVID-19 - Charter Schools	84.282	0089215485	-	19,946
Charter Schools	84.282	0089211037	-	372,686
Charter Schools	84.282	0089211038	-	369,648
			<u>-</u>	<u>792,294</u>
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890215480	-	76,116
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5891215480	-	619,431
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890215485	-	110,449
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5891215485	-	842,495
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890215665	-	36,598
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5891215665	-	206,427
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890215660	-	36,598
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5891215660	-	188,210
			<u>-</u>	<u>2,116,324</u>
Total U.S. Department of Education			<u>-</u>	<u>3,417,591</u>
U.S. Department of Agriculture				
Pass-through New York State Education Department:				
Child Nutrition Cluster:				
Summer Food Service Program for Children	10.559	N/A	-	63,599
Summer Food Service Program for Children	10.559	N/A	-	102,339
Summer Food Service Program for Children	10.559	N/A	-	19,380
Summer Food Service Program for Children	10.559	N/A	-	19,430
Total Child Nutrition Cluster			<u>-</u>	<u>204,748</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>204,748</u>
Total Expenditures of Federal Awards			\$ <u>-</u>	\$ <u>3,622,339</u>

See independent auditors' report and notes to schedule of expenditures of federal awards

Zeta Charter Schools - New York City

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Zeta Charter Schools - New York City (the "School") under programs of the federal government as of June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

**Board of Trustees
Zeta Charter Schools - New York City**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Zeta Charter Schools - New York City (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 25, 2021



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Trustees Zeta Charter Schools - New York City

Report on Compliance for Each Major Federal Program

We have audited Zeta Charter Schools - New York City's (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 25, 2021

Zeta Charter Schools - New York City

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
84.425D	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2021.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV - Prior Period's Findings

There were no prior period audit findings.

Board of Trustees
Zeta Charter Schools – New York City

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Zeta Charter Schools – New York City (the “School”) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the School’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
October 25, 2021

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