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# **Merrick Academy – Queens Public Charter School**

## **Independent Auditor’s Reports and Financial Statements**

June 30, 2023 and 2022

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**Merrick Academy – Queens Public Charter School**  
**June 30, 2023 and 2022**

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## Independent Auditor's Report

Board of Trustees  
Merrick Academy – Queens Public Charter School  
Laurelton, New York

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Merrick Academy – Queens Public Charter School, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Merrick Academy – Queens Public Charter School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Merrick Academy – Queens Public Charter School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As described in *Note 3* to the financial statements, in 2023, Merrick Academy – Queens Public Charter School adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Merrick Academy – Queens Public Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Merrick Academy – Queens Public Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Merrick Academy – Queens Public Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control -related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information within the statements of functional expenses 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 GAAS. In our opinion, the accompanying supplementary 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 27, 2023, on our consideration of the Merrick Academy – Queens 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 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 Merrick Academy – Queens Public Charter 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 Merrick Academy – Queens Public Charter School’s internal control over financial reporting and compliance.

**FORVIS,LLP**

New York, New York  
October 27, 2023

**Merrick Academy – Queens Public Charter School**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 1,221,779	\$ 1,344,833
Grants and contracts receivable	508,403	377,693
Prepaid expenses	-	83,986
Total current assets	1,730,182	1,806,512
Security deposits	127,770	127,770
Cash – reserve	102,229	100,101
Property and equipment – net	1,246,938	1,470,752
Right-of-use-assets – operating leases	4,417,802	-
Total assets	\$ 7,624,921	\$ 3,505,135
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 123,404	\$ 143,661
Accrued salaries and related liabilities	865,876	774,526
Deferred revenue	336,000	-
Current portion of operating lease liability	1,003,002	-
Total current liabilities	2,328,282	918,187
Deferred rent	-	45,917
Operating lease liabilities	3,362,523	-
Total long-term liabilities	3,362,523	45,917
Total liabilities	5,690,805	964,104
<b>Net Assets, Without Donor Restrictions</b>	1,934,116	2,541,031
Total liabilities and net assets	\$ 7,624,921	\$ 3,505,135

# Merrick Academy – Queens Public Charter School

## Statements of Activities

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues and Other Support</b>		
Resident student enrollment	\$ 10,164,589	\$ 8,893,813
Students with disabilities	<u>1,698,626</u>	<u>1,520,301</u>
Total state and local per-pupil operating revenues	11,863,215	10,414,114
Government grants and contracts	434,209	1,370,116
Contributions	529,487	2,553
Interest	36,486	4,986
Miscellaneous income	<u>28,724</u>	<u>800</u>
Total operating revenues and other support	<u>12,892,121</u>	<u>11,792,569</u>
<b>Expenses</b>		
Program services		
Education	7,384,335	6,977,221
Special education	<u>4,190,183</u>	<u>3,816,778</u>
Total program services	11,574,518	10,793,999
Supporting services		
Management and general	<u>1,924,518</u>	<u>1,764,060</u>
Total expenses	<u>13,499,036</u>	<u>12,558,059</u>
<b>Change in Net Assets</b>	(606,915)	(765,490)
<b>Net Assets Without Donor Restrictions, Beginning of Year</b>	<u>2,541,031</u>	<u>3,306,521</u>
<b>Net Assets Without Donor Restrictions, End of Year</b>	<u><u>\$ 1,934,116</u></u>	<u><u>\$ 2,541,031</u></u>

**Merrick Academy – Queens Public Charter School**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	* No. of Positions	Program Services			Supporting Services	Total
		Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative staff personnel	18	\$ 667,123	\$ 416,952	\$ 1,084,075	\$ 583,732	\$ 1,667,807
Instructional personnel	56	3,259,662	1,888,089	5,147,751	-	5,147,751
Noninstructional personnel	11	-	-	-	639,016	639,016
Salaries		3,926,785	2,305,041	6,231,826	1,222,748	7,454,574
Payroll taxes and employee benefits		1,065,475	625,438	1,690,913	158,387	1,849,300
Retirement		91,530	53,729	145,259	13,606	158,865
Legal service		-	-	-	57,132	57,132
Accounting/audit services		-	-	-	180,967	180,967
Other purchased/professional/ consulting services		261,222	143,932	405,154	51,597	456,751
Building and land rent/lease		529,532	310,838	840,370	78,717	919,087
Repairs and maintenance		67,482	39,612	107,094	10,031	117,125
Insurance		49,474	29,041	78,515	7,355	85,870
Utilities		92,496	54,296	146,792	13,750	160,542
Supplies/materials		204,881	57,798	262,679	5,038	267,717
Equipment/furnishings		12,623	7,410	20,033	1,877	21,910
Staff development		149,970	83,352	233,322	20,389	253,711
Marketing/recruitment		67,468	28,330	95,798	5,442	101,240
Technology		91,868	53,927	145,795	13,657	159,452
Student services		209,600	66,411	276,011	-	276,011
Office expense		147,660	86,677	234,337	21,950	256,287
Depreciation		293,557	172,319	465,876	43,638	509,514
Other		122,712	72,032	194,744	18,237	212,981
Total expenses		<u>\$ 7,384,335</u>	<u>\$ 4,190,183</u>	<u>\$ 11,574,518</u>	<u>\$ 1,924,518</u>	<u>\$ 13,499,036</u>

\* Supplemental information

**Merrick Academy – Queens Public Charter School**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	* No. of Positions	Program Services			Supporting Services	Total
		Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative staff personnel	11	\$ 547,518	\$ 342,199	\$ 889,717	\$ 479,079	\$ 1,368,796
Instructional personnel	53	3,163,005	1,753,306	4,916,311	-	4,916,311
Noninstructional personnel	25	-	-	-	556,067	556,067
Salaries		3,710,523	2,095,505	5,806,028	1,035,146	6,841,174
Payroll taxes and employee benefits		946,777	534,689	1,481,466	122,242	1,603,708
Retirement		94,484	53,359	147,843	12,199	160,042
Legal service		-	-	-	43,838	43,838
Accounting/audit services		-	-	-	161,220	161,220
Other purchased/professional/ consulting services		358,453	193,008	551,461	182,707	734,168
Building and land rent/lease		504,315	284,810	789,125	65,114	854,239
Repairs and maintenance		75,890	42,859	118,749	9,798	128,547
Insurance		48,228	27,236	75,464	6,227	81,691
Utilities		76,728	43,332	120,060	9,907	129,967
Supplies/materials		125,971	41,970	167,941	5,491	173,432
Equipment/furnishings		10,300	5,817	16,117	1,330	17,447
Staff development		344,044	127,912	471,956	19,904	491,860
Marketing/recruitment		43,849	14,477	58,326	1,862	60,188
Technology		22,788	12,869	35,657	2,943	38,600
Student services		74,976	34,030	109,006	-	109,006
Office expense		149,624	84,500	234,124	19,318	253,442
Depreciation		302,553	170,866	473,419	39,064	512,483
Bad debt expense		-	-	-	14,425	14,425
Other		87,718	49,539	137,257	11,325	148,582
Total expenses		<u>\$ 6,977,221</u>	<u>\$ 3,816,778</u>	<u>\$ 10,793,999</u>	<u>\$ 1,764,060</u>	<u>\$ 12,558,059</u>

\* Supplemental information

# Merrick Academy – Queens Public Charter School

## Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Operating Activities</b>		
Change in net assets	\$ (606,915)	\$ (765,490)
Items not requiring (providing) operating cash flows		
Depreciation	509,514	512,483
Bad debt expense	-	14,425
Contributions received restricted for acquisition of long-lived assets	(131,449)	-
Noncash operating lease expense	938,912	-
Changes in		
Grants and contracts receivable	(130,710)	(367,693)
Prepaid expenses	7,143	18,257
Accounts payable and accrued expenses	(1,580)	(151,279)
Accrued salaries and related liabilities	91,350	(18,401)
Deferred revenue	336,000	(9,306)
Deferred rent	-	(80,588)
Change in operating lease liabilities	(960,263)	-
Net cash provided by (used in) operating activities	52,002	(847,592)
<b>Investing Activities</b>		
Acquisitions of property and equipment	(304,377)	(920,699)
Net cash used in investing activities	(304,377)	(920,699)
<b>Financing Activities</b>		
Proceeds from contributions restriction for long-term investment	131,449	-
Net cash provided by financing activities	131,449	-
<b>Net Change in Cash and Restricted Cash</b>	(120,926)	(1,768,291)
<b>Cash and Restricted Cash, Beginning of Year</b>	1,444,934	3,213,225
<b>Cash and Restricted Cash, End of Year</b>	\$ 1,324,008	\$ 1,444,934
<b>Cash and Cash Equivalents and Restricted Cash Consist of:</b>		
Cash	\$ 1,221,779	\$ 1,344,833
Cash – reserve	102,229	100,101
	\$ 1,324,008	\$ 1,444,934
<b>Supplemental Cash Flows Information</b>		
Property and equipment in accounts payable	\$ 4,395	\$ 14,282
ROU assets obtained in exchange for new operating lease liabilities	4,650,926	-

# **Merrick Academy – Queens Public Charter School**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

Merrick Academy – Queens Public Charter School (the School) is an educational corporation that operates as a charter school in the borough of Queens, New York City. On January 1, 2000, the Board of Regents and the Board of Trustees of the University of the State of New York, for and on behalf of the State Education Department, granted the School a charter from grades K to 6. The charter has been renewed until June 30, 2025. During the fiscal years ended June 30, 2023 and 2022, the School operated classes for approximately 573 and 525 students in grades K to 5, respectively.

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the School is subject to federal income tax on any unrelated business taxable income. The School is supported primarily by state and local per-pupil operating revenues.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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, expenses, and change in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Restricted Cash***

As part of the School's charter agreement, the School agreed to establish a long-term reserve account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

At June 30, 2023, the School's cash accounts exceeded federally insured limits by approximately \$771,000.

#### ***Grants and Contracts Revenue and Receivables***

Revenues from government grants and contracts to which the School is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when related expenditures are incurred by the School. Receivables are recorded when the revenue is earned.

#### ***Allowance for Doubtful Accounts***

Management determines whether an allowance for doubtful accounts should be provided for tuition, contributions, or grants receivable. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. Such estimates are based upon management's assessment of the aged basis of its receivables, historical information, expected collections, business and economic conditions, and collections subsequent to year-end. Interest income is not accrued or recorded on receivables. Management deemed no allowance necessary for the years ended June 30, 2023 and 2022.

# Merrick Academy – Queens Public Charter School

## Notes to Financial Statements

June 30, 2023 and 2022

### ***Property and Equipment***

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	5 years
Furniture and fixtures	7 years
Office and classroom equipment	3 years
Computer equipment	3 years
Software	3 years

### ***Long-Lived Asset Impairment***

The School evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2023 and 2022.

### ***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are 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.

At June 30, 2023 and 2022, all net assets are without donor restrictions and are available to be used for operations.

### ***State and Local Per-Pupil Operating Revenues***

Revenues from the state and local governments resulting from the School's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement. These grants are recorded as revenue by the School when services are rendered.

# Merrick Academy – Queens Public Charter School

## Notes to Financial Statements

June 30, 2023 and 2022

### Contributions

Contributions are provided to the School either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the School overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, 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.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

As of June 30, 2023, \$336,000 received from conditional contributions were recorded as a liability. As of June 30, 2022, no proceeds received from conditional contributions were recorded as a liability.

# Merrick Academy – Queens Public Charter School

## Notes to Financial Statements

June 30, 2023 and 2022

### ***Income Taxes***

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the School is subject to federal income tax on any unrelated business taxable income. The School is exempt from filing tax returns in the U.S. federal jurisdiction.

### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the separate statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. All of these expense line items are allocated based on staffing allocations to the main functional areas of the School: general education, special education, and management and general.

### **Note 2: Property and Equipment**

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 1,820,163	\$ 1,689,892
Furniture and fixtures	870,055	844,346
Office and classroom equipment	466,100	450,235
Computer equipment	1,437,870	1,398,270
Construction in progress	20,650	12,500
Software	360,545	294,439
	<u>4,975,383</u>	<u>4,689,682</u>
Accumulated depreciation and amortization	<u>(3,728,445)</u>	<u>(3,218,930)</u>
	<u>\$ 1,246,938</u>	<u>\$ 1,470,752</u>

# Merrick Academy – Queens Public Charter School

## Notes to Financial Statements

June 30, 2023 and 2022

### Note 3: Leases

#### **Changes in Accounting Principles**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under Accounting Standards Codification (ASC) 840 option.

The School adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The School elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. The School elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the School elected to keep short-term leases with an initial term of 12 months or less off the statements of financial position. The School did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$705,788 and \$674,862, respectively, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent were reclassified as a component of the ROU assets. The standard did not significantly affect our statements of activities or cash flows.

The cumulative effect of the changes made to our statements of financial position for the adoption of this standard was as follows:

	<b>June 30, 2022 as Reported</b>	<b>ASC 842 Adjustment July 1, 2022</b>	<b>July 1, 2022 as Reported</b>
<b>Assets</b>			
Prepaid expenses (A)	\$ 83,986	\$ (76,843)	\$ 7,143
Right-of-use assets – operating leases (B)	-	705,788	705,788
<b>Liabilities</b>			
Deferred rent (C)	45,917	(45,917)	-
Operating lease liabilities (D)	-	674,862	674,862

# Merrick Academy – Queens Public Charter School

## Notes to Financial Statements

June 30, 2023 and 2022

- (A) The adjustment represents the reclassification of prepaid rent to right-of-use assets – operating leases.
- (B) The adjustment represents the capitalization of right-of-use assets – operating leases and the reclassification of prepaid, offset by the reclassification of straight-line rent accruals.
- (C) The adjustment represents the reclassification of straight-line rent accruals to right-of-use assets – operating leases.
- (D) The adjustment represents the recognition of operating lease liabilities.

### **Accounting Policies**

The School determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The School determines lease classification as operating or finance at the lease commencement date.

The School combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The School has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the School is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The School has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

### **Nature of Leases**

The School has entered into the following lease arrangements:

#### *Operating Leases*

The School has a lease for a building that expires in fiscal year 2028. This lease contains a renewal option for five years and requires the School to pay all executory costs (property taxes, maintenance, and insurance). Lease payments have an escalating fee schedule, which is a 2.5% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

# Merrick Academy – Queens Public Charter School

## Notes to Financial Statements

June 30, 2023 and 2022

The School has leases for office equipment that expire in various years through fiscal year 2028. Termination of the leases is generally prohibited unless there is a violation under the lease agreements.

### *All Leases*

The School has no material related-party leases.

The School's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

### **Quantitative Disclosures**

The lease cost and other required information for the year ended June 30, 2023 are:

Operating lease cost	<u>\$ 1,036,418</u>
Total lease cost	<u><u>\$ 1,036,418</u></u>

#### Other information

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from operating leases \$ 979,007

ROU assets obtained in exchange for new operating lease liabilities

4,650,926

Weighted-average remaining lease term

Operating leases 4.41 years

Weighted-average discount rate

Operating leases 3.88%

Future minimum lease payments and reconciliation to the statements of financial position at June 30, 2023 are as follows:

	<u>Operating Leases</u>
2024	\$ 1,003,002
2025	1,075,065
2026	1,077,713
2027	1,076,918
2028	<u>524,217</u>
Total undiscounted lease payments	4,756,915
Less imputed interest	<u>(391,390)</u>
Lease liabilities	<u><u>\$ 4,365,525</u></u>

# Merrick Academy – Queens Public Charter School

## Notes to Financial Statements

June 30, 2023 and 2022

### *Prior Year Disclosures Under Topic 840*

The School has a lease on the school building which will expire on December 31, 2022. The lease contains renewal options for two five-year periods. Rent expense for the year ended June 30, 2023 was \$978,769. The lease for the building is being straight-lined over the life of the lease.

The School entered into noncancelable lease agreements for office equipment expiring at various dates through June 2024. Rent expense for the year ended June 30, 2022 was \$101,446.

The future minimum lease payments as of June 30, 2022 are:

<u>Year Ending</u> <u>June 30</u>	
2023	\$ 517,115
2024	<u>22,840</u>
	<u>\$ 539,955</u>

### **Note 4: Contingencies and Concentrations**

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.

Substantially all of the School's operating revenue is paid by New York State Education Department.

In addition, all grants and contracts receivable due at year-end were all due from the New York State Education Department.

### **Note 5: Retirement Plan**

The School sponsors a 401(k) retirement plan for its employees. All employees are immediately eligible to participate in the plan. Employees can make pretax contributions up to a maximum of 100% of the annual compensation, subject to IRS restrictions. The School matches the employee contribution up to 4% of the employee's annual compensation. Pension expense under this plan for the years ended June 30, 2023 and 2022 was \$158,865 and \$160,042, respectively.

# Merrick Academy – Queens Public Charter School

## Notes to Financial Statements

June 30, 2023 and 2022

### Note 6: Liquidity and Availability

The School’s financial assets available within one year of the date of the statements of financial position for general expenditures as of June 30, 2023 and 2022 are:

	2023	2022
Financial assets at year-end		
Cash	\$ 1,221,779	\$ 1,344,833
Grants and contracts receivable	508,403	377,693
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,730,182	\$ 1,722,526

The financial assets of the School without donor restrictions or restricted by state laws, are available for general expenditures. As part of liquidity management, the School invests cash in excess of daily requirements in short-term investments. Although the School does not intend to spend from its net assets other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation, amounts could be made available if necessary. During the years ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

### Note 7: Grant Reimbursements Receivable and Future Commitments

Government grants received are conditional upon meeting certain conditions as specified in the contract. The School receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the School are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2023 have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2023:

Grant	Term	Grant Amount	Earned Through 2023	Funding Available
Summer boost grants	Through 2024	\$ 480,000	\$ -	\$ 480,000

### Note 8: Subsequent Events

Subsequent events have been evaluated through October 27, 2023, which is the date the financial statements were available to be issued.

Subsequent to year-end, the School entered into a lease agreement for a new building. The lease commences upon the School taking possession, which is expected in a future period upon the building being ready for occupancy.

**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 Auditor's Report**

Board of Trustees  
Merrick Academy – Queens Public Charter School  
Laurelton, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Merrick Academy – Queens Public Charter School, which comprise the statement of financial position as of June 30, 2023, 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 27, 2023, which contained an Emphasis of Matter paragraph regarding a change in accounting principle.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Merrick Academy – Queens Public 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 Merrick Academy – Queens Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Merrick Academy – Queens 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 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

## ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Merrick Academy – Queens 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 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*.

## ***Merrick Academy – Queens Public Charter School's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Merrick Academy – Queens Public Charter School's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Merrick Academy – Queens Public Charter School's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

## ***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.

**FORVIS,LLP**

New York, New York  
October 27, 2023

**Merrick Academy – Queens Public Charter School**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2023**

<b>Reference Number</b>	<b>Summary of Findings</b>
<b>2023-001</b>	<b>Supporting Documentation for Account Balances</b>
<b>Criteria:</b>	Merrick Academy – Queens Public Charter School must prepare financial statements that reflect accurate information about its financial position, results of operations, and changes in net assets for the fiscal year.
<b>Condition:</b>	The accounting records as of June 30, 2023 included an accrual for payroll related to periods subsequent to year-end, and grant revenue included amounts that were applicable to 2022.
<b>Cause:</b>	During our audit, we noted instances where supporting documentation for account balances was not timely communicated to the contracted accountant to make adjustments to the financial records.
<b>Effect:</b>	The unadjusted financial statements did not reflect accurate information related to the activities and financial position for the year presented.
<b>Recommendation:</b>	We strongly recommend that a better system of document retention and file maintenance be implemented. This type of file maintenance is a basic element of a strong system of accounting procedures and related controls and would improve efficiencies in the accounting function, and will help ensure that the School can produce accurate documentation for transactions in a timely manner.
<b>Views of Responsible Officials and Planned Corrective Actions:</b>	We concur with the finding. The finding has been reviewed with management and staff. Corrective action has been taken and new procedures have already been implemented for the Executive Director and Chief Operating Officer to review and approve all additional payroll amounts and ensure proper classification and time period.

**Merrick Academy – Queens Public Charter School**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
	No matters are reportable.	

# FORVIS Report to the Board of Trustees, Audit Committee, and Management

Merrick Academy – Queens Public Charter School

Results of the 2023 Financial Statement Audit, Including Required  
Communications

June 30, 2023

## Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

### Overview & Responsibilities

Matter	Discussion
<b>Scope of Our Audit</b>	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none"><li>• As of and for the year ended June 30, 2023</li><li>• Conducted in accordance with our contract dated July 5, 2023</li></ul>
<b>Our Responsibilities</b>	<p>FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
<b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b>	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.</p>
<b>Extent of Our Communication</b>	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
<b>Independence</b>	<p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>



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Matter	Discussion
<b>Your Responsibilities</b>	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
<b>Distribution Restriction</b>	This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties: <ul style="list-style-type: none"> <li>• Board of Trustees, Audit Committee, and Management</li> <li>• Others within the Entity</li> </ul>

### **Government Auditing Standards**

Matter	Discussion
<b>Additional GAGAS Reporting</b>	We also provided reports as of June 30, 2023 on the following as required by GAGAS: <ul style="list-style-type: none"> <li>• Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS</li> </ul>
<b>Reporting Limitations</b>	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

### **Qualitative Aspects of Significant Accounting Policies & Practices**

#### **Significant Accounting Policies**

Significant accounting policies are described in Note 1 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- ASC 842, *Leases*

#### **Unusual Policies or Methods**

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

#### **Alternative Accounting Treatments**

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- Policy elections for ASC 842, *Leases*



## Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Valuation of grants and contracts receivable

## Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- No matters are reportable

## Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- Selection of new accounting policies related to the new lease standard

## Significant Accounting Policies & Alternative Treatments – Details

### ASC 842, Leases

Effective July 1, 2022, the Entity adopted ASC 842, *Leases*. ASC 842 requires recognition of most leases on the balance sheet and enhanced disclosures within the footnotes of the financial statements.

FASB believes this standard allows for a more faithful representation of the lessee's assets and liabilities and provides greater transparency about the lessee's obligations and leasing activities than legacy guidance, which did not require lessees to recognize assets and liabilities arising from operating leases.

Adoption of ASC 842 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the Entity's key performance indicators related to the balance sheet (such as the current ratio) are likely not comparable to historical results.

### **Policy Elections & Transition for ASC 842**

Management has elected the following accounting policies and transition practical expedients:

- 1) Election of the alternative transition method for adoption
- 2) Election of the following package of practical expedients at the date of adoption of ASC 842 to not reassess:
  - a) Whether any expired or existing contract is a lease or contains a lease
  - b) The lease classification of any expired or existing leases
  - c) Initial direct costs for any existing leases
- 3) Election of the practical expedient to combine lease and nonlease components in the contract
- 4) Election of the short-term lease exception for leases that, at the lease commencement date, have a lease term of 12 months or less and does not include an option to purchase the underlying asset that the Entity is reasonably certain to exercise. This election was made by asset class rather than individual leases
- 5) Election of the practical expedient available to nonpublic entities to use a risk-free discount rate when measuring lease liabilities
- 6) Adoption of a capitalization policy for right-of-use assets of \$15,000



## Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

### Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Correction of accrued payroll expenses

### Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

#### *Nature of Uncorrected Misstatements*

- Turnaround effect of unrecorded legal fees in the prior year
- To correct 2022 ECF grant funds recorded in 2023

## Other Required Communications

### Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)

We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.



## Required Communications Regarding Internal Control (AU-C 265)

### Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Merrick Academy – Queens Public Charter School as of and for the year ended June 30, 2023, in accordance with GAAS and GAGAS, we considered the Entity's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

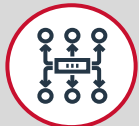
Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

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

### Categorizing Deficiencies by Severity

#### Deficiency

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.



#### Significant Deficiency

A significant deficiency is a deficiency, or 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.



#### Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the Entity's financial statements will not be prevented or detected and corrected on a timely basis.



## Identified Deficiencies

We identified a certain deficiency in internal control that we consider to be a material weakness.

### ***Material Weakness***

- **Lack of Supporting Documentation**

During our audit, we noted instances where supporting documentation was difficult to obtain, or could not be obtained by the contracted accountant. In one instance, follow up procedures resulted in a material adjustment to the financial information, and another resulted in a passed adjustment for revenue recorded to the incorrect period. Supporting documentation for items recorded in the financial records should be readily available to the contracted accountant. We strongly recommend that a better system of document retention and file maintenance be implemented. This type of file maintenance is a basic element of a strong system of accounting procedures and related controls and would improve efficiencies in the accounting function, and will help ensure that the Entity can produce accurate documentation for transactions in a timely manner.

## Attachments

### **Management Representation Letter**

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

### **Schedule of Uncorrected Misstatements**

The detail of uncorrected misstatements identified as a result of our engagement are included herein.





**Attachment A**  
**Management Representation Letter**

**FORV/S**

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*Representation of:*

Merrick Academy – Queens Public Charter School  
136-25 218<sup>th</sup> Street  
Laurelton, NY 11413

*Provided to:*

**FORVIS, LLP**

Certified Public Accountants  
1155 Avenue of the Americas, Suite 1200  
New York, NY 10036

The undersigned (“We”) are providing this letter in connection with FORVIS’ audits of our financial statements as of and for the years ended June 30, 2023 and 2022

Our representations are current and effective as of the date of FORVIS’ report: October 27, 2023.

Our engagement with FORVIS is based on our contract for services dated: July 5, 2023

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS’ report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of FORVIS’ Report**

We confirm, to the best of our knowledge and belief, the following:

#### **Broad Matters**

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.
3. We have provided you with:

Merrick Academy – Queens Public Charter School  
Page 2

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of governing body meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
4. We have responded fully and truthfully to all your inquiries.

***Government Auditing Standards***

5. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
6. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
7. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
8. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
11. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

***Misappropriation, Misstatements, & Fraud***

12. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.

- b. Misrepresented or misstated assets, liabilities, or net assets.
13. We have no knowledge of fraud or suspected fraud affecting the entity involving:
  - a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
14. We understand that the term “fraud” includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity’s assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, regulators, suppliers, or others.
16. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

#### **Ongoing Operations**

17. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management’s plans not yet fully implemented and concluded substantial doubt does not exist.
18. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the volume of business, contributions, constraints on liquidity, difficulty obtaining financing, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for contributions receivable, etc., that could negatively impact the entity’s ability to maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity’s financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc..

#### **Related Parties**

19. We have disclosed to you the identity of all of the entity’s related parties and all the related-party relationships of which we are aware. The entity has not entered into any new agreements with a related party or modified terms related to an existing related-party transaction during the year under audit, or as of the date of this letter. Further, we do not have any existing or ongoing agreements with related parties that are still in effect as of the date of this letter.
20. We understand that the term related party refers to:
  - Affiliates.

- Entities for which investments are accounted for by the equity method.
- Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management.
- Principal owners and members of their immediate families.
- Management and members of their immediate families.
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

#### **Litigation, Laws, Rulings, & Regulations**

21. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
22. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
23. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.
24. There are no regulatory examinations currently in progress for which we have not received examination reports.
25. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
26. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

### **Nonattest Services**

27. You have provided nonattest services, including the following, during the period of this engagement:
- Preparing a draft of the financial statements and related notes and supplementary information.
  - Assistance with the implementation of ASC Topic 842, *Leases*
  - All federal and state information returns preparation.
28. With respect to these services:
- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
  - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - d. We have evaluated the adequacy of the services performed and any findings that resulted.
  - e. Established and maintained internal controls, including monitoring ongoing activities.
  - f. We have received the deliverables from you and have stored these deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

### **Financial Statements & Reports**

29. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
30. With regard to supplementary information:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
  - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
  - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
  - e. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to intended users of the

supplementary information no later than the date such information and the related auditor's report are issued.

31. We do not issue an annual report, nor do we have plans to issue an annual report at this time.

#### **Transactions, Records, & Adjustments**

32. All transactions have been recorded in the accounting records and are reflected in the financial statements.
33. The entity has appropriately reconciled its general ledger accounts to their related supporting information. All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. All intracompany (and intercompany) accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.
34. We have everything we need to keep our books and records.
35. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
36. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.
37. We believe the effects of the uncorrected financial statement misstatements and omitted disclosures summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

We understand that, depending on both the nature of the uncorrected misstatements and the federal and state income tax rules applicable thereto, each uncorrected misstatement may or may not be taken into account for purposes of determining our federal and/or state taxable income and any income tax liability for the current year.

#### **Nonprofit Accounting & Disclosure Matters**

38. Adequate provisions and allowances have been accrued for any material losses from uncollectible pledges.
39. We have identified to you any activities conducted having both fund raising and program or management and general components (joint activities) and have allocated the costs of any joint activities in accordance with the provisions of FASB ASC 958-720-45.
40. We are an entity exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.
41. We acknowledge the entity is not a conduit debt obligor whose debt securities are listed, quoted, or traded on an exchange or an over-the-counter market. As a result, we acknowledge the entity does not meet the definition of a "public entity" under generally accepted accounting principles for certain accounting standards.

### **Accounting & Disclosure**

42. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements, or other arrangements (either written or oral) that are in place,
43. Except as reflected in the financial statements, there are no:
- a. Plans or intentions that may materially affect carrying values or classifications of assets, liabilities, or net assets.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure in accordance with Accounting Standards Codification (ASC) Topic 450, *Contingencies*, including those arising from environmental remediation obligations.
  - d. Events occurring subsequent to the statement of financial position date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.
  - e. Agreements to purchase assets previously sold.
  - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
  - g. Guarantees, whether written or oral, under which the entity is contingently liable.
  - h. Known or anticipated asset retirement obligations.
44. Except as disclosed in the financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
  - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

### **Revenue, Accounts Receivable, & Inventory**

45. Adequate provisions and allowances have been accrued for any material losses from:
- a. Uncollectible receivables.
  - b. Sales commitments, including those unable to be fulfilled.
  - c. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.
46. We have examined the outstanding contributions and grants receivable and determined that all are collectible.

### **Estimates**

47. We have identified all accounting estimates that could be material to the financial statements, and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.
48. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that “near term” means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, available sources of supply, or deposits, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

### **Off-Balance Sheet Risk**

49. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk have been properly disclosed in the financial statements:
  - a. The extent, nature, and terms of financial instruments with off-balance sheet risk.
  - b. The amount of credit risk of financial instruments with off-balance sheet risk and information about the collateral supporting such financial instruments.
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral of such financial instruments.
  - d. The common activity, region, or characteristic that identified the concentration.
  - e. The maximum loss that could result if the counterparties completely failed to perform their obligations and any collateral for the amounts due were worthless.
  - f. The entity’s policy of requiring collateral to minimize the risk, the nature of this collateral, and information about the entity’s access to collateral.

### **Topic 842, Leases**

50. In connection with the adoption of ASC Topic 842, *Leases*, we represent the following:
  - a. We have adopted the standard using a modified retrospective approach and elected to not adjust comparative periods.
  - b. We have elected the following package of practical expedients at the date of adoption of ASC 842 to not reassess:
    - i. Whether any expired or existing contract is a lease or contains a lease.
    - ii. The lease classification of any expired or existing leases.
    - iii. Initial direct costs for any existing leases.

Merrick Academy – Queens Public Charter School  
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- c. We have not elected the hindsight practical expedient in determining the lease term and assessing impairment of the entity's right-of-use assets. This practical expedient has been applied to all leases.
- d. We have elected the practical expedient to combine lease and nonlease components in the contract.
- e. We have not elected the portfolio approach to classify and measure leases. Actual results under the portfolio approach are materially similar evaluations on an individual basis.
- f. We have elected the short-term lease exception for leases that, at the lease commencement date, have a lease term of 12 months or less and does not include an option to purchase the underlying asset that the entity is reasonably certain to exercise. This election was made by asset class rather than individual leases.
- g. We have elected the practical expedient available to lessees that are not public business entities to use a risk-free discount rate when measuring lease liabilities.
- h. We have not elected the practical expedient for common control leasing arrangements to use the written terms and conditions to determine whether a lease exists, and, if so, the classification and accounting for that lease.
- i. We have adopted a capitalization policy for right-of-use assets of \$15,000. Right-of-use assets not capitalized are not material individually and in the aggregate.
- j. We have identified a complete population of potential leases as of the implementation date.
- k. The estimates related to any options to extend or terminate the lease terms within the measurement of lease assets and liabilities agree to management's plans for the leases.
- l. We have adequate controls in place to prevent and/or detect errors in lease assets and liabilities on a recurring basis.
- m. The footnotes to the financial statements appropriately describe the adoption of ASC Topic 842, *Leases*, and include all additional disclosures required under the standard.

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Adrian Manuel, Executive Director  
Amanuel@merrickacademy.org

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Josh Moreau, Financial Consultant  
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## Attachment B

### Schedule of Uncorrected Misstatements

**FORV/S**

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

# Merrick Academy - Queens Public Charter School

## ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

### QUANTITATIVE AND QUALITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	1,730,182	0	1,730,182	0.00%
Non-Current Assets	5,894,739	0	5,894,739	0.00%
Current Liabilities	(2,328,282)	0	(2,328,282)	0.00%
Non-Current Liabilities	(3,362,523)	0	(3,362,523)	0.00%
Current Ratio	0.74		0.74	0.00%
Total Assets	7,624,921	0	7,624,921	0.00%
Total Liabilities	(5,690,805)	0	(5,690,805)	0.00%
Net Assets	(1,934,116)	0	(1,934,116)	0.00%
Revenues & Income	(12,892,121)	131,449	(12,760,672)	-1.02%
Costs & Expenses	13,499,036	(20,287)	13,478,749	-0.15%
Change in Net Assets	606,915	111,162	718,077	18.32%

**Client: Merrick Academy - Queens Public Charter School**  
**Period Ending: June 30, 2023**

**SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)**

Description	Location or Business Unit	Financial Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets				Liabilities				(X) Non Tax	Revenues & Income		Costs & Expenses		Net Assets		Net Effect on Following Year			
				Current		Noncurrent		Current		Noncurrent			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	Change in Net	
				DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)										DR	(CR)
Turnaround effect of PY PAJE: Accrue unrecorded legal fees			F	0	0	0	0	0	0	0	0	(20,287)	20,287	0	0	0	0	0	0	0	0	
		Net Assets											20,287					N/A	N/A			
		Legal Expense										(20,287)										
To adjust grant revenue for amounts that should have been recorded in FY 2022			F	0	0	0	0	0	0	0	131,449	0	(131,449)	0	0	0	0	0	0	0	0	
		Government grants and contracts									131,449								N/A	N/A		
		Net assets											(131,449)									
Taxable passed adjustments											131,449	(20,287)	(111,162)	0	0							
Times (1 - effective tax rate of 00%)											100%	100%	100%									
Taxable passed adjustments net of tax impact											131,449	(20,287)	(111,162)									
Nontaxable passed adjustments											0	0	0									
<b>Total passed adjustments, net of tax impact (if any)</b>											<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>							
														<b>Impact on Change in Net Assets</b>		<b>111,162</b>						
														<b>Impact on Net Assets</b>		<b>0</b>						