
THE ACADEMY CHARTER SCHOOL 2

**Financial Statements with Supplementary
Information**

For the year ended June 30, 2023

THE ACADEMY CHARTER SCHOOL 2

Financial Statements

June 30, 2023

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Independent Auditor’s Report

To the Board of Trustees of
The Academy Charter School 2
Wyandanch, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Academy Charter School 2 (“TACS2”) (a nonprofit organization), 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 ended June 30, 2023, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of TACS2 as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 TACS2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 TACS2’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 generally accepted auditing standards 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 generally accepted auditing standards 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 TACS2'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 TACS2'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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 are 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 31, 2023, on our consideration of TACS2'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 TACS2'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 TACS2's internal control over financial reporting and compliance.

New York, New York
October 31, 2023

NCheng LLP

THE ACADEMY CHARTER SCHOOL 2

Statement of Financial Position

As of June 30, 2023

Assets

Current assets

Accounts receivable	\$ 451,898
Grants receivable - government agencies	677,113
Prepaid expenses	15,150
Reimbursement for New School Facility	<u>4,616,368</u>
Total current assets	5,760,529

Property and equipment, net

7,503,425

Other assets

Security and other deposits	<u>22,883</u>
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Total assets \$ 13,286,837

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 152,039
Accrued salaries and other payroll-related expenses	443,096
Mortgage payable	958,176
Due to affiliate	11,803,963
Other liabilities	<u>34,552</u>

Total current liabilities 13,391,826

CSGF convertible loan 300,000

Total liabilities 13,691,826

Net assets without donor restrictions

(404,989)

Total liabilities and net assets \$ 13,286,837

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

THE ACADEMY CHARTER SCHOOL 2**Statement of Activities**

For the year ended June 30, 2023

Operating revenue and other support**Public school districts**

Regular education	\$ 2,715,024
Special education	225,102
	<hr/>

Total state and local per pupil operating revenue	<hr/> 2,940,126
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Grants, contracts and other support

Federal and state grants	1,245,836
Contributions and private grants	300,036
	<hr/>

Total operating revenue and other support	<hr/> 4,485,998
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Expenses**Program Expenses**

Regular education	3,454,510
Food service	292,947
Special education	262,662
	<hr/>

Total program expenses	4,010,119
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Supporting Services

Management and general	<hr/> 1,120,712
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Total program and supporting services expenses	<hr/> 5,130,831
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Change in net assets	(644,833)
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Net assets without donor restrictions - beginning of year	<hr/> 239,844
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Net assets without donor restrictions - end of year	<hr/> <hr/> \$ (404,989)
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The accompanying notes are an integral part of these financial statements.

THE ACADEMY CHARTER SCHOOL 2
Statement of Functional Expenses
For the year ended June 30, 2023

	Number of Positions	Program expenses				Supporting services	Total program and supporting services
		Regular Education	Special Education	Food Service	Total Programs	Management & General	
Salaries							
Administrative staff personnel	2	\$ 183,409	\$ -	\$ -	\$ 183,409	\$ -	\$ 183,409
Instructional personnel	24	1,492,581	148,183	-	1,640,764	-	1,640,764
Noninstructional personnel	9	-	-	14,491	14,491	418,588	433,079
Total salaries	35	1,675,990	148,183	14,491	1,838,664	418,588	2,257,252
Payroll taxes and fringe benefits		401,479	34,258	3,350	439,087	108,841	547,928
Retirement benefits		28,567	2,526	247	31,340	9,458	40,798
Financial and administrative		28,241	-	-	28,241	129,227	157,468
Marketing and recruitment		55,435	-	-	55,435	4,772	60,207
Insurance		36,795	-	-	36,795	-	36,795
Legal, professional and management fees		32,666	-	-	32,666	343,452	376,118
Repairs and maintenance		160,965	-	408	161,373	9,790	171,163
Equipment leasing and maintenance		53,160	-	5,759	58,919	9,545	68,464
Staff development		59,252	9,142	-	68,394	-	68,394
Food costs		17,595	-	266,846	284,441	-	284,441
Student services and activities		398,379	37,656	-	436,035	-	436,035
Supplies and instructional materials		151,799	12,181	-	163,980	-	163,980
Telephone and internet services		4,097	-	-	4,097	-	4,097
Occupancy		105,471	-	-	105,471	30,907	136,378
Other expenses		23,440	-	16	23,456	7,700	31,156
Interest expense - facilities loan		47,535	3,363	329	51,227	5,063	56,290
Depreciation		173,644	15,353	1,501	190,498	43,369	233,867
Total operating expenses		1,778,520	114,479	278,456	2,171,455	702,124	2,873,579
Total expenses		\$ 3,454,510	\$ 262,662	\$ 292,947	\$ 4,010,119	\$ 1,120,712	\$ 5,130,831

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

THE ACADEMY CHARTER SCHOOL 2**Statement of Cash Flows**

For the year ended June 30, 2023

Cash flows from operating activities

Change in net assets \$ (644,833)

Adjustments to reconcile change in net assets

to net cash provided by operating activities

Depreciation 233,867

CSGF loan conversion to grant (300,000)

Changes in operating assets and liabilities

Accounts receivable (451,898)

Grants receivable - government agencies (486,780)

Prepaid expenses (15,150)

Reimbursement for New School Facility (4,616,368)

Security and other deposits (22,883)

Accounts payable and accrued expenses 140,039

Accrued salaries and other payroll-related expenses 443,096

Other liabilities 34,552

Due to affiliate 8,642,026

Net cash provided by operating activities 2,955,668**Cash flows used in investing activities**Acquisition of property and equipment (2,658,448)**Cash flows used in financing activities**Repayments of mortgage (307,112)

Net decrease in cash (9,892)

Cash - beginning of year 9,892Cash - end of year \$ -**Supplemental cash flow disclosures**Interest paid \$ 56,290

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

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2023

Note 1 Organization

The Academy Charter School 2 (“TACS2”), a 501(c)(3) tax-exempt organization, is a public charter school located in Wyandanch, New York. TACS2 was incorporated in November 2021, and commenced operating classes for kindergarten through second grade in September 2022. The mission of TACS2 is to offer an interdisciplinary curriculum in a technology-rich environment that challenges students to explore connections across subjects and use experiential learning to bridge the gaps between theory and practice. Enrollment is open to all potential student candidates, with a preference for those residing in the immediate area. TACS2 operates classes from kindergarten through second grade with the goal of expanding operations for kindergarten through sixth grade by 2027.

Effective February 11, 2022, TACS2 received its charter approval from The State University of New York Charter School Institute to open the Academy Charter School 2 – Wyandanch (“Wyandanch Campus”). The charter expires June 2027.

Note 2 Summary of significant accounting policies

Basis of accounting. The financial statements of TACS2 have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) on the accrual basis of accounting.

Financial statement presentation. TACS2 reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of TACS2.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TACS2 or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2023

Note 2 Summary of significant accounting policies – (continued)

Revenue recognition. TACS2 recognizes revenue from the state and local governments based on TACS2's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Revenue from these transactions is recognized ratably over the related school year.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as deferred revenue. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Concentrations of credit risk. Financial instruments, which potentially subject TACS2 to concentrations of credit risk include cash and accounts receivable. TACS2 maintains its cash in bank deposit accounts which, at times, may exceed the current insured amount under the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2023, TACS2's cash balance did not exceed the current amount insured under FDIC. TACS2 has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

Accounts and grants receivable. Accounts and grants receivable are recorded at net realizable value. The allowance for doubtful accounts is TACS2's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. There was no allowance reported for the year ended June 30, 2023.

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. TACS2 capitalizes additions and significant improvements in excess of \$5,000. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful Life</u>
Building and improvements	39 years
Furniture and fixtures	7 years
Machinery and equipment	3 years
Computer and office equipment	3 years

Depreciation for construction-in-progress will commence over the estimated useful lives of the respective assets when the assets are placed in service.

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2023

Note 2 Summary of significant accounting policies – (continued)

Functional allocation of expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Payroll and related benefits and taxes	Direct allocation; then time and effort
Professional fees	Direct allocation; then time and effort
Staff development	Direct allocation; then time and effort
Occupancy	Direct allocation; then time and effort

Income taxes. TACS2 is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if TACS2 has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements.

Note 3 Liquidity and availability

At June 30, 2023, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Accounts receivable	\$ 451,898
Grants receivable - government agencies	677,113
Reimbursement for New School Facility	<u>4,616,368</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 5,745,379</u></u>

None of the financial assets are subject to donor or other contractual restrictions which would make them unavailable for general expenditures within one year of the balance sheet date. TACS2 structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

THE ACADEMY CHARTER SCHOOL 2
Notes to the Financial Statements
June 30, 2023

Note 4 Property and equipment

Property and equipment consist of the following as of June 30, 2023:

Land	\$ 526,000
Buildings - Early Learning Facility	6,549,759
Furniture and fixtures	192,804
Machinery and equipment	34,280
Computer and office equipment	434,450
	<hr/>
Total property and equipment	7,737,293
Less: accumulated depreciation	(233,868)
	<hr/>
Property and equipment, net	<u>\$ 7,503,425</u>

Note 5 Due to affiliate

TACS2 is an affiliate of The Academy Charter School (“TACS”), another not-for-profit organization, which advanced funds to TACS2 to assist with startup, organizational, and construction costs. As of June 30, 2023, the total amount due to TACS was \$11,803,963, of which \$955,476 relates to operating costs. \$6,246,157 relates to the acquisition and renovation of a former hardware store known as the “Early Learning Facility”, and the remaining \$4,602,330 relates to the “New School Facility.” The amounts are expected to be repaid within the next year. Please refer to Note 8 for additional disclosures regarding repayment. The advances bear no interest and are subject to repayment based upon board approval.

Note 6 Retirement plan

Effective January 1, 2022, TACS amended its defined contribution 401(k) Plan to allow TACS2 to become a participating Plan sponsor. As a result of this amendment, TACS2 employees are eligible to participate in the plan immediately upon employment. Participation in the plan is voluntary. Employees can make contributions (pre-tax and Roth), up to IRS limits for each calendar year. TACS2 matches an employees’ contribution up to 4% of the employees’ annual compensation. For the year ended June 30, 2023, the matching contributions from TACS2 amounted to \$40,798. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the plan’s participants and beneficiaries.

THE ACADEMY CHARTER SCHOOL 2
Notes to the Financial Statements
June 30, 2023

Note 7 Mortgage and loan payable

Mortgage and loan payable and the related outstanding balances at June 30, 2023 are as follows:

A. On May 21, 2022, TACS2 obtained a mortgage from the property seller in the amount of \$1,315,000 to finance a portion of Wyandanch facilities purchase. The mortgage bears interest of 5% per annum and requires monthly payments of \$30,284, including principal and interest, through the maturity date of April 21, 2026. On July 27, 2023, the mortgage was refinanced. Please refer to Note 8.	\$ 958,176
B. On June 29, 2022, TACS2 obtained a convertible loan from Charter School Growth Fund (“CSGF”) in the amount of \$600,000 for the financial management and financing of the Wyandanch facilities development. The loan is convertible to a grant upon meeting specific requirements and milestones as agreed with the lender. No payments of principal or interest are required until maturity. The loan bears interest of 1% per annum and has a maturity date of June 30, 2027. On June 23, 2023, \$300,000 of the loan amount converted into a grant.	<u>300,000</u>
Total mortgage and loan payable	<u>\$ 1,258,176</u>

Future annual principal payments are as follows:

<u>Year ending June 30,</u>	
2024	\$ 958,176
2027	<u>300,000</u>
Total mortgage and loan payable	<u>\$ 1,258,176</u>

Interest incurred on the mortgage and loan payable during the year ended June 30, 2023 amounted to \$56,290.

Note 8 Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through October 31, 2023, which is the date the financial statements were available to be issued and has concluded that, except as set forth, no subsequent events occurred that require an adjustment to or disclosure in the financial statements.

THE ACADEMY CHARTER SCHOOL 2
Notes to the Financial Statements
June 30, 2023

Note 8 Subsequent events – (continued)

On July 27, 2023, the Town of Babylon L.D. Corporation II provided financing through the issuance of \$39,250,000 in Tax-Exempt Education Revenue Bonds (the “Series 2023A Bonds”), bearing interest from 5.75% to 6.65% per annum, with principal due at varying amounts annually through maturity on February 1, 2053, as well as a \$805,000 Taxable Education Revenue Bond (the “Series 2023B Bonds”), bearing interest at 7.25% due at varying amounts annually through maturity on February 1, 2027.

\$6,246,157 of the proceeds were used to repay TACS for the funds loaned to TACS2 for the costs of acquisition and renovation of an approximately 9,800 square feet 1-story building for the Early Learning Facility. \$958,176 was used to pay off the existing mortgage on the Early Learning Facility. The remaining proceeds from the bond issuance are used for the purchase of land, purchase of equipment and furnishings, and the construction of the New School Facility. Prior to closing on the bonds, TACS2 disbursed \$4,602,330 to attorneys, architects, engineers, and the contractor. Those were initially financed by TACS. At closing, these costs were reimbursed to TACS2, who subsequently repaid TACS. TACS, TACS2 and Friends of the Academy, Inc. (“FTOA”, a New York not-for-profit corporation) are co-obligors on these bonds.

THE ACADEMY CHARTER SCHOOL 2
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Child Nutrition Cluster:			
United States Department of Agriculture Programs:			
Pass-Through The Academy Charter School ("TACS"):			
School Breakfast Program	10.553	TACS2	\$ 48,524
National School Lunch Program	10.555	TACS2	<u>145,573</u>
<i>Total United States Department of Agriculture Programs</i>			<u>194,097</u>
Total Child Nutrition Cluster			<u>194,097</u>
United States Department of Education Programs:			
Pass-Through New York State Education Department:			
Title I Grants to Local Education Agencies	84.010A	0021-23-5740	<u>18,545</u>
Supporting Effective Instruction State Grants	84.367A	0147-23-5740	<u>3,262</u>
Charter School Program (CSP): Grants to State Entities	84.282A	0089-22-1052	380,667
Charter School Program (CSP): Grants to State Entities	84.282A	0089-23-1052	<u>531,299</u>
Total Charter School Program (CSP): Grants to State Entities			<u>911,966</u>
<i>Total United States Department of Education Programs</i>			<u>933,773</u>
Total Expenditures of Federal Awards			<u>\$ 1,127,870</u>

THE ACADEMY CHARTER SCHOOL 2
Notes to the Schedule Expenditures of Federal Awards
For the year ended June 30, 2023

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of The Academy Charter School 2 for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of The Academy Charter School 2, it is not intended to, and does not, present the financial position, changes in net position or cash flows of The Academy Charter School 2.

Note 2 Summary of Significant Accounting Policies

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

Note 3 Indirect Cost Rate

The Academy Charter School 2 has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
The Academy Charter School 2
Wyandanch, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Academy Charter School 2 (“TACS2”) (a nonprofit organization), 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 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TACS2’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 TACS2’s internal control. Accordingly, we do not express an opinion on the effectiveness of TACS2’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 organization’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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether TACS2’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 organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York
October 31, 2023

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees of
The Academy Charter School 2
Wyandanch, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Academy Charter School 2’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Academy Charter School 2’s major federal programs for the year ended June 30, 2023. The Academy Charter School 2’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, The Academy Charter School 2 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Academy Charter School 2 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Academy Charter School 2’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Academy Charter School 2's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Academy Charter School 2's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Academy Charter School 2's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Academy Charter School 2's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Academy Charter School 2's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 The Academy Charter School 2's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed

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

NChing LLP

New York, New York
October 31, 2023

THE ACADEMY CHARTER SCHOOL 2
Schedule of Findings and Questioned Costs
 For the year ended June 30, 2023

Schedule I – Summary of auditor’s results

Financial statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

Federal awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
84.282A	Charter School Program (CSP): Grants to State Entities

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

Auditee qualified as low-risk auditee? ___ yes X no

THE ACADEMY CHARTER SCHOOL 2
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

THE ACADEMY CHARTER SCHOOL 2
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2023

Financial Statement Findings

None.

Federal Award Findings and Questioned Costs

None.

THE ACADEMY CHARTER SCHOOL 2
Corrective Action Plan
For the year ended June 30, 2023

None.