ACADEMY OF THE CITY CHARTER SCHOOL

QUEENS, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2024
(With Comparative Totals for 2023)

MMB+CO | BUSINESS ADVISORS AND CPAS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Academy of the City Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Academy of the City Charter School, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Academy of the City Charter School as of June 30, 2024, 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 (GAAS) 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 Academy of the City Charter School 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 Academy of the City Charter School's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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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 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, 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 Academy of the City 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 Academy of the City 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.

Report on Summarized Comparative Information

We have previously audited Academy of the City Charter School's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024 on our consideration of Academy of the City Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Academy of the City Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 15, 2024

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ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024
(With Comparative Totals For 2023)

ASSETS	June 30, 2024	June 30, 2023
CURRENT ASSETS		
Cash and cash equivalents	$ 4,117,213	$ 4,079,336
Grants and other receivables	476,364	327,172
Prepaid expenses	74,000	111,506
TOTAL CURRENT ASSETS	4,667,577	4,518,014
PROPERTY AND EQUIPMENT, net	26,205,217	27,287,516
OTHER ASSETS		
Due from Friends of Academy of the City, Inc.	65,384	244,345
Security deposit	276,000	276,000
Cash in escrow	81,650	77,803
Right-of-use-assets - operating	9,966,873	10,725,079
	10,389,907	11,323,227
TOTAL ASSETS	$ 41,262,701	$ 43,128,757
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 288,648	$ 458,583
Accrued payroll and benefits	1,227,756	1,431,665
Deferred revenue	-	226,688
Current portion of lease liability - finance	348,784	325,415
Current portion of lease liabilities - operating	801,716	782,183
TOTAL CURRENT LIABILITIES	2,666,904	3,224,534
OTHER LIABILITIES		
Long-term lease liability - finance	27,439,968	27,788,752
Long-term lease liabilities - operating	10,485,388	11,287,103
TOTAL LIABILITIES	40,592,260	42,300,389
NET ASSETS		
Without donor restrictions	670,441	828,368
TOTAL LIABILITIES AND NET ASSETS	$ 41,262,701	$ 43,128,757

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

ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2024
(With Comparative Totals For 2023)

	Without Donor Restrictions	
	Year ended June 30,	
	2024	2023
Revenue, gains, and other support:		
Public school district		
Resident student enrollment	$ 13,332,171	$ 12,937,965
Students with disabilities	632,687	537,447
Grants and contracts		
State and local	56,434	53,766
Federal - Title and IDEA	242,895	219,321
Federal - Other	240,125	214,333
NYCDOE rental assistance	2,136,993	2,121,653
TOTAL REVENUE, GAINS AND OTHER SUPPORT	16,641,305	16,084,485
Expenses:		
Program services:		
Regular education	12,499,471	12,936,124
Special education	2,595,651	2,585,902
TOTAL PROGRAM SERVICES	15,095,122	15,522,026
Management and general	2,293,962	2,363,214
Fundraising and special events	-	100
TOTAL OPERATING EXPENSES	17,389,084	17,885,340
DEFICIT FROM SCHOOL OPERATIONS	(747,779)	(1,800,855)
Support and other revenue:		
Contributions	489,157	403,923
Interest income	100,695	64,165
TOTAL SUPPORT AND OTHER REVENUE	589,852	468,088
CHANGE IN NET ASSETS	(157,927)	(1,332,767)
Net assets at beginning of year	828,368	2,161,135
NET ASSETS AT END OF YEAR	$ 670,441	$ 828,368

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

ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024
(With Comparative Totals For 2023)

		Year ended June 30,					
		2024					2023
		Program Services			Supporting Services		
	Number of positions	Regular Education	Special Education	Sub-total	Management and general	Total	Total
Personnel services costs:							
Administrative staff personnel	20	$ 882,031	$ 123,858	$ 1,005,889	$ 951,596	$ 1,957,485	$ 2,452,882
Instructional personnel	78	5,167,272	1,183,909	6,351,181	-	6,351,181	6,165,646
Non-instructional personnel	4	-	-	-	77,583	77,583	30,391
TOTAL SALARIES AND STAFF	102	6,049,303	1,307,767	7,357,070	1,029,179	8,386,249	8,648,919
Fringe benefits & payroll taxes		1,586,910	343,734	1,930,644	216,301	2,146,945	1,910,861
Retirement		220,107	47,676	267,783	30,001	297,784	219,132
Legal Service		-	-	-	82,526	82,526	93,741
Accounting / audit services		-	-	-	341,192	341,192	208,609
Other purchased / professional / consulting services		774,564	87,476	862,040	96,985	959,025	1,056,683
Building and land rent / lease / facility finance interest		1,942,967	420,858	2,363,825	264,833	2,628,658	2,578,344
Repairs and maintenance		277,961	60,208	338,169	37,887	376,056	447,239
Insurance		96,227	20,843	117,070	13,116	130,186	121,685
Utilities		119,123	25,803	144,926	16,237	161,163	157,008
Supplies / materials		179,884	18,093	197,977	-	197,977	221,611
Office expense		51,571	11,171	62,742	7,029	69,771	120,035
Staff development		11,353	1,622	12,975	3,244	16,219	117,780
Marketing / recruitment		35,631	7,471	43,102	4,568	47,670	136,044
Technology		162,131	35,118	197,249	22,098	219,347	242,526
Food service		1,848	186	2,034	-	2,034	86,245
Student services		58,533	5,887	64,420	-	64,420	172,387
Depreciation and amortization		902,698	195,530	1,098,228	123,041	1,221,269	1,295,275
Equipment and furnishings		6,750	1,462	8,212	920	9,132	12,537
Other		21,910	4,746	26,656	4,805	31,461	38,679
		$ 12,499,471	$ 2,595,651	$ 15,095,122	$ 2,293,962	$ 17,389,084	$ 17,885,340

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

ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024
(With Comparative Totals For 2023)

	Year ended June 30,	
	2024	2023
CASH FLOWS - OPERATING ACTIVITIES		
Change in net assets	$ (157,927)	$ (1,332,767)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,221,269	1,295,275
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(149,192)	364,477
Prepaid expenses	37,506	(100,574)
Accounts payable and accrued expenses	(169,935)	197,826
Accrued payroll and benefits	(203,909)	207,088
Deferred revenue	(226,688)	88,088
Lease liabilities, net of right-of-use assets	(23,976)	1,344,207
Deferred rent	-	(1,267,685)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	327,148	795,935
CASH FLOWS - INVESTING ACTIVITIES		
Decrease (increase) in due from Friends of Academy of the City, Inc.	178,961	(21,567)
Purchases of property and equipment	(138,970)	(86,280)
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	39,991	(107,847)
CASH FLOWS - FINANCING ACTIVITIES		
Payments on finance lease	(325,415)	(212,837)
NET CASH USED FOR FINANCING ACTIVITIES	(325,415)	(212,837)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	41,724	475,251
Cash, cash equivalents, and restricted cash at beginning of year	4,157,139	3,681,888
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 4,198,863	$ 4,157,139

ACADEMY OF THE CITY CHARTER SCHOOL

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2024
(With Comparative Totals For 2023)

	June 30,	
	2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Reconciliation of cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	$ 4,117,213	$ 4,079,336
Cash in escrow	81,650	77,803
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 4,198,863	$ 4,157,139

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

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

The Charter School

Academy of the City Charter School (the "Charter School") is an educational corporation that operates as a charter school in the borough of Queens, New York City, serving grades K-8. On December 14, 2010, 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 Charter School a charter valid for a term of 5 years and renewable upon expiration. On December 13, 2023, the Charter School's charter was renewed for a five-year period through June 30, 2029.

The Charter School was organized to increase learning opportunities for students through innovative educational programs and to enable parents to be more involved in their children's education.

Classification of net assets

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

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2024 and 2023.

Revenue recognition

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

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

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

Public school district revenue

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

Rental assistance

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

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

	June 30,		
	2024	2023	2022
Grants and other receivables	$ 27,011	$ -	$ 17,552

Contributions

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

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

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

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

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was no deferred revenue at June 30, 2024 and $226,688 as of June 30, 2023.

Cash and cash equivalents

Cash balances are maintained at financial institutions located in the United States of America and are insured by the FDIC up to $250,000 at each institution. The Charter School considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was $81,650 and $77,803 at June 30, 2024 and 2023, respectively. The escrow funds are restricted to fund legal and other costs related to the dissolution of the Charter School, should this become necessary.

Grants and other receivables

At each fiscal year end, the Charter School evaluates the need for an expected allowance for credit losses for all outstanding balances that fall under ASU 2014-09. As necessary, the allowance for credit losses is updated at fiscal year-end to reflect any changes in credit risk since the receivable was initially recorded. The allowance for credit losses is calculated on a pooled basis where similar risk characteristics exist.

The Charter School uses historical loss data as a starting point to estimate expected credit losses, given consistent revenue sources since its inception. There were no write-offs for the years ended June 30, 2024 and 2023.

Due from Friends of Academy of the City, Inc.

The Charter School has a receivable from Friends of Academy of the City, Inc. ("Friends of AOC"). Friends of AOC is a not-for-profit organization which has one board member in common with the Charter School and shares certain administrative staff. Friends of AOC subleases space to the Charter School, see Note D for further details. All amounts due from Friends of AOC are non-interest bearing and have no set repayment terms.

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

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives which are as follows:

Furniture and fixtures	–	5 to 7 years
Equipment	–	3 to 5 years
Leasehold improvements	–	20 to 27 years

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

Leases

The Charter School leases its school facilities and various office equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the accompanying statement of financial position. Finance leases are included in property and equipment as ROU assets – finance, current liabilities and other long-term liabilities on the accompanying statement of financial position.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk free interest rate based on the information available at commencement date in determining the present value of lease payments. The lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term, and for finance leases, as amortization expense and interest expense.

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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

Tax exempt status

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

The Charter School files tax returns in various jurisdictions and is subject to potential examination by taxing authorities. The Charter School's current and prior three years tax returns remain subject to review by taxing authorities. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Charter School received transportation services, food services, and a school nurse which were provided for the students by the local district. The Charter School was unable to determine a value for these services.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. There were no in-kind contributions during the years ended June 30, 2024 and 2023.

Marketing and recruiting costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs were $47,670 and $136,044 for the years ended June 30, 2024 and 2023, respectively.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2023

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Reclassifications

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

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

Adoption of new accounting standard – credit losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Charter School that are subject to the guidance in FASB ASC 326 were receivables.

The Charter School adopted the standard effective July 1, 2023. The impact of adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 15, 2024, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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

	June 30,	
	2024	2023
Cash and cash equivalents	$ 4,117,213	$ 4,079,336
Grants and other receivables	476,364	327,172
Total financial assets available to management for general expenditures within one year	$ 4,593,577	$ 4,406,508

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2024	2023
Building under right-of-use asset - finance	$ 23,728,134	$ 24,716,806
Furniture and fixtures	361,889	336,134
Equipment	1,119,827	1,006,612
Leasehold improvements	2,970,817	2,970,817
	28,180,667	29,030,369
Less accumulated depreciation and amortization	(1,975,450)	(1,742,853)
	$ 26,205,217	$ 27,287,516

NOTE D: OPERATING AND FINANCE LEASES

Operating leases

The Charter School entered into two leases with the Roman Catholic Church of Corpus Christi for a location in Woodside, NY and the related parking lot. The leases require monthly payments of approximately $92,000 and expire on June 30, 2035. In connection with these leases, the Charter School is required to maintain a security deposit with the landlord in the amount of $276,000.

In addition to the above leases, the Charter School also rents various office equipment.

Finance lease

On February 1, 2019, the Charter School entered into a lease with Friends of AOC for the middle school facility. The lease requires monthly payments of approximately $149,000 and will expire on June 30, 2048. In connection with this lease, the Charter School guarantees the obligations of Friends of AOC to their landlord. The Charter School's obligation to Friends of AOC is greater than the amount due by Friends of AOC to their landlord due to additional improvements and services provided by Friends of AOC under the terms of the lease with the Charter School.

In connection with the space to be used for the middle school site, Friends of AOC entered into a financing agreement with an unrelated party. As part of the financing agreement between Friends of AOC, the Charter School is required to comply with certain covenants, of which the school was in compliance at June 30, 2024.

NOTE D: OPERATING AND FINANCE LEASES, Cont'd

Operating and finance lease summaries
A summary of lease right-of-use assets and liabilities are as follows:

	Statement of Financial Position Classification	June 30, 2024	June 30, 2023
Assets			
Finance lease	Property and equipment	$ 23,728,134	$ 24,716,806
Operating leases	Other assets - Right-of-use assets	9,966,873	10,725,079
		$ 33,695,007	$ 35,441,885
Liabilities			
Current			
Finance lease	Current liabilities	$ 348,784	$ 325,415
Operating leases	Current liabilities	801,716	782,183
Non-current			
Finance lease	Other liabilities	$ 27,439,968	$ 27,788,752
Operating leases	Other liabilities	10,485,388	11,287,103
		$ 39,075,856	$ 40,183,453

The components of lease expense were as follows:

	Year ended June 30, 2024	Year ended June 30, 2023
Finance lease cost:		
Amortization of right-of-use assets	$ 988,672	$ 988,672
Interest on lease liabilities	1,460,424	1,474,712
Total finance lease costs	2,449,096	2,463,384
Operating lease cost	1,092,970	1,090,553
Total lease cost	$ 3,542,066	$ 3,553,937

NOTE D: OPERATING AND FINANCE LEASES, Cont'd

As of June 30, 2024, minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

Year ending June 30,	Finance leases	Operating leases	Total
2025	$ 1,791,542	$ 1,113,656	$ 2,905,198
2026	1,797,359	1,110,251	2,907,610
2027	1,803,292	1,105,484	2,908,776
2028	1,809,344	1,105,484	2,914,828
2029	1,917,487	1,216,033	3,133,520
Thereafter	41,380,082	7,578,847	48,958,929
Total lease payments	50,499,106	13,229,755	63,728,861
Less: Interest	(22,710,354)	(1,942,651)	(24,653,005)
Present value of lease liabilities	$ 27,788,752	$ 11,287,104	$ 39,075,856

Supplemental information:

	Year ended June 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for finance lease	$ 1,461,842	$ 1,352,248
Financing cash flows paid for finance lease	$ 323,997	$ 335,300
Operating cash flows paid for operating leases	$ 1,116,946	$ 1,013,350
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Finance lease	$ -	$ 28,327,004
Operating leases	$ -	$ 12,727,441
Weighted-average remaining lease term:		
Finance lease	24.00 years	25.00 years
Operating leases	10.99 years	11.98 years
Weighted-average discount rate:		
Finance lease	5.25%	5.25%
Operating leases	2.88%	2.88%

NOTE E: RETIREMENT PLAN

The Charter School has a defined contribution retirement plan which covers substantially all full-time employees. For the years ended June 30, 2024 and 2023, the Charter School contributed 4 percent of the employee's contribution to the plan up to the maximum amount allowed. Retirement plan expense under this Plan for the years ended June 30, 2024 and 2023 was $297,784 and $219,132, respectively.

NOTE F: CONTINGENCY

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

NOTE G: CONCENTRATIONS

At June 30, 2024 and 2023, approximately 87% and 100%, respectively, of grants and other receivables are due from New York State relating to certain grants.

For both years ended June 30, 2024 and 2023, 84%, of total revenue, gains and other support came from per-pupil funding provided by New York City Department of Education. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE H: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function (including salaries, benefits, purchased services, occupancy costs, and depreciation) are allocated on the basis of estimates of time, effort and usage.

NOTE I: FINANCIAL IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized $192,882 and $193,677 of revenue relative to ESSER grants during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024, the Charter School had utilized all available ESSER funding.

ACADEMY OF THE CITY CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Trustees
Academy of the City Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Academy of the City Charter School, which comprise the statement of financial position as of June 30, 2024 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Academy of the City Charter School's internal control over financial reporting (internal control) as a basis for designing 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 Academy of the City Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Academy of the City 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Academy of the City 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 15, 2024

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