

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2024

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Finn Academy: An Elmira Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheets of Finn Academy: An Elmira Charter School (the School) as of June 30, 2024 and 2023, 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 the School as of June 30, 2024 and 2023, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 the School's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditors' 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 auditors' 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 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2024 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



October 16, 2024

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

Balance Sheets

June 30,	2024	2023
Assets		
Current assets:		
Cash	\$ 943,013	\$ 543,975
Receivables (Note 2)	70,002	671,872
Prepaid expenses and other	16,341	1,687
	<u>1,029,356</u>	<u>1,217,534</u>
Property and equipment, net (Note 3)	555,635	654,260
Right of use asset - lease (Note 5)	<u>207,994</u>	<u>380,264</u>
	<u>\$ 1,792,985</u>	<u>\$ 2,252,058</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of lease liability (Note 5)	\$ 167,994	\$ 172,270
Accounts payable and accrued expenses	703,181	640,518
	<u>871,175</u>	<u>812,788</u>
Lease liability (Note 5)	-	167,994
Net assets:		
Without donor restrictions	<u>921,810</u>	<u>1,271,276</u>
	<u>\$ 1,792,985</u>	<u>\$ 2,252,058</u>

Statements of Activities

For the years ended June 30,	2024	2023
Changes in net assets without donor restrictions:		
Revenue and support:		
Enrollment fees:		
Resident students	\$ 5,036,374	\$ 4,477,048
Resident students with disabilities	192,725	195,201
Contributions:		
Federal awards	362,703	823,471
State awards and other	70,112	23,252
Other income	30,768	37,619
Net assets released from restrictions	-	4,010
Total support and revenue	5,692,682	5,560,601
Expenses:		
Program expenses:		
Regular education	3,704,927	3,628,447
Special education	329,160	363,754
Other program	965,982	943,044
Supporting services:		
Management and general	1,042,079	1,071,898
Total expenses	6,042,148	6,007,143
Change in net assets without donor restrictions	(349,466)	(446,542)
Changes in net assets with donor restrictions:		
Net assets released from restrictions	-	(4,010)
Change in net assets	(349,466)	(450,552)
Net assets - beginning	1,271,276	1,721,828
Net assets - ending	\$ 921,810	\$ 1,271,276

Statement of Functional Expenses

For the year ended June 30, 2024

	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	6.1	\$ -	\$ -	\$ -	\$ 549,951	\$ 549,951
Instructional personnel	57.8	2,301,886	233,260	-	-	2,535,146
Non-instructional personnel	10.8	-	-	237,238	-	237,238
Total salaries	74.7	\$ 2,301,886	\$ 233,260	\$ 237,238	\$ 549,951	\$ 3,322,335
Salaries		\$ 2,301,886	\$ 233,260	\$ 237,238	\$ 549,951	\$ 3,322,335
Employee benefits and payroll taxes		352,835	35,754	36,364	84,297	509,250
Retirement		188,360	19,087	19,413	45,002	271,862
Contracted services - special education		-	2,705	-	-	2,705
Classroom supplies and materials		62,503	-	-	-	62,503
Technology		139,984	-	-	-	139,984
Student activities		-	-	47,046	-	47,046
Student services		-	-	672	-	672
Student testing and assessment		13,132	-	-	-	13,132
Field trips		23,488	-	-	-	23,488
Transportation		-	-	388,187	-	388,187
Food service		-	-	198,708	-	198,708
Staff development		9,077	-	-	-	9,077
Student and teacher recruitment		-	-	-	12,752	12,752
Repairs and maintenance		161,067	10,067	10,067	20,133	201,334
Utilities		81,775	5,111	5,111	10,222	102,219
Occupancy		150,400	9,400	9,400	18,800	188,000
Telephone and internet		12,898	806	806	1,612	16,122
Insurance		22,903	1,431	1,431	2,863	28,628
Office expense		55,737	3,484	3,484	6,967	69,672
Professional fees		-	-	-	188,784	188,784
Payroll processing fees		-	-	-	34,587	34,587
Other		10,393	650	650	1,298	12,991
Bad debts		-	-	-	50,000	50,000
		3,586,438	321,755	958,577	1,027,268	5,894,038
Depreciation		118,489	7,405	7,405	14,811	148,110
Total		\$ 3,704,927	\$ 329,160	\$ 965,982	\$ 1,042,079	\$ 6,042,148

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2023

	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	6.1	\$ -	\$ -	\$ -	\$ 565,381	\$ 565,381
Instructional personnel	57.0	2,159,822	260,138	-	-	2,419,960
Non-instructional personnel	9.0	-	-	215,921	-	215,921
Total salaries	72.1	\$ 2,159,822	\$ 260,138	\$ 215,921	\$ 565,381	\$ 3,201,262
Salaries		\$ 2,159,822	\$ 260,138	\$ 215,921	\$ 565,381	\$ 3,201,262
Employee benefits and payroll taxes		348,332	41,954	34,824	91,184	516,294
Retirement		178,104	21,452	17,805	46,623	263,984
Instructional consultants		26,835	-	-	-	26,835
Contracted services - special education		-	539	-	-	539
Classroom supplies and materials		84,004	-	-	-	84,004
Technology		138,551	-	-	-	138,551
Student activities		-	-	44,693	-	44,693
Student services		-	-	1,024	-	1,024
Student testing and assessment		22,151	-	-	-	22,151
Field trips		12,917	-	-	-	12,917
Transportation		-	-	397,796	-	397,796
Food service		-	-	191,310	-	191,310
Staff development		22,966	-	-	-	22,966
Student and teacher recruitment		-	-	-	26,507	26,507
Repairs and maintenance		116,292	7,268	7,268	14,537	145,365
Utilities		108,397	6,775	6,775	13,550	135,497
Occupancy		150,400	9,400	9,400	18,800	188,000
Telephone and internet		19,352	1,209	1,209	2,419	24,189
Insurance		21,461	1,341	1,341	2,683	26,826
Office expense		64,234	4,015	4,015	8,029	80,293
Professional fees		-	-	-	172,551	172,551
Payroll processing fees		-	-	-	30,305	30,305
Other		27,192	1,699	1,699	3,399	33,989
Bad debts		-	-	-	60,000	60,000
Interest		38	2	2	5	47
		3,501,048	355,792	935,082	1,055,973	5,847,895
Depreciation		127,399	7,962	7,962	15,925	159,248
Total		\$ 3,628,447	\$ 363,754	\$ 943,044	\$ 1,071,898	\$ 6,007,143

See accompanying notes.

Statements of Cash Flows

For the years ended June 30,	2024	2023
Operating activities:		
Cash received from enrollment fees	\$ 5,220,870	\$ 4,695,612
Cash received from contributions	993,089	513,593
Cash received from other sources	30,593	37,619
Payments to employees for services and benefits	(4,049,318)	(3,937,797)
Payments to vendors and suppliers	(1,746,711)	(1,892,261)
Interest paid	-	(47)
Net operating activities	448,523	(583,281)
Investing activities:		
Property and equipment expenditures	(49,485)	(65,062)
Net change in cash	399,038	(648,343)
Cash - beginning	543,975	1,192,318
Cash - ending	\$ 943,013	\$ 543,975

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

Finn Academy: An Elmira Charter School (the School), operates a charter school in the City of Elmira, New York (the City) authorized by the Board of Regents of the University of the State of New York. The School offers classes from kindergarten through sixth grade. The School is chartered through July 2028 and continued operations are contingent upon approval of its charter renewal.

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through October 16, 2024, the date the financial statements were available to be issued.

Cash:

Cash in financial institutions potentially subjects the School to concentrations of credit risk since it may exceed insured limits at various times throughout the year. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur.

Property and Equipment:

Property and equipment is stated at cost or fair market value at the date of donation, net of accumulated depreciation. Depreciation is provided over estimated asset service lives using the straight-line method. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Revenue Recognition:

Enrollment Fees

Enrollment fees are received from the public-school districts in which the student resides. The amount received each year from the resident district is generally the product of the approved operating expense per pupil and the full-time equivalent enrollment of the students in the School residing in that district.

The respective districts also reimburse the School for special education services based on approved applicable rates for the services provided. Revenues are recognized over the period services are provided. The School generally invoices the resident district bimonthly and payment is due in 30 days. Enrollment fees received in advance are deferred and recognized when earned. The School's enrollment fees are received primarily from the Elmira City School District.

Contributions

Unconditional contributions are reported at fair value at the date the pledge or award is received. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, 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. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

Conditional contributions, primarily government awards, are recorded as revenue when the School meets requirements in compliance with specific agreements. When applicable, amounts received before the required conditions are met are reported as refundable advances on the accompanying balance sheets. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

Receivables

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical trends, and forecasted economic conditions. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to uncollectible receivables and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management at June 30, 2024. At June 30, 2023, the allowance for doubtful accounts was \$120,000.

Income Taxes:

The School is a 501(c)(3) corporation exempt from taxation under Section 501(a) of the Internal Revenue Code.

Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Expense Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries and benefits, which are allocated based on estimates of time and effort, and depreciation, occupancy and related, interest, insurance and office expenses which are allocated based on management's estimate of program benefit.

2. Receivables:

	2024	2023
Enrollment fees	\$ 27,504	\$ 189,275
Contributions	42,323	602,597
Other	175	-
	<u>70,002</u>	791,872
Less allowance for doubtful accounts	-	120,000
	<u>\$ 70,002</u>	<u>\$ 671,872</u>

3. Property and Equipment:

	2024	2023
Building improvements	\$ 767,451	\$ 763,301
Instructional and office equipment	702,740	657,405
	<u>1,470,191</u>	1,420,706
Less accumulated depreciation	914,556	766,446
	<u>\$ 555,635</u>	<u>\$ 654,260</u>

4. Short-Term Borrowings:

The School has available a \$250,000 unsecured bank demand line of credit with interest payable at prime plus 1% with a minimum of 4.25% and a maximum of 16%. The line is subject to the usual terms and conditions applied by the bank for working capital financing and is annually reviewed and renewed. There were no borrowings on the line of credit at June 30, 2024 and 2023.

5. Lease Liability:

The School leases property under the terms of an operating lease.

At inception of lease agreements, a lease liability and corresponding right of use (ROU) asset are recorded based on the present value of the minimum future lease payments. If the lease arrangement also contains non-lease components, the School elects the practical expedient not to separate any combined leases and non-lease components for all lease contracts.

The present value of the School's lease liability was calculated using an estimated incremental borrowing rate of 6%. As of June 30, 2024 and 2023, the operating ROU asset, including an advanced security deposit, totaled \$207,994 and \$380,264 and the lease liability amounted to \$167,994 and \$340,264 respectively.

When applicable and as permitted by guidance, leases with expected durations of less than 12 months from inception (i.e. short-term leases) are excluded from the School's calculation of its lease liability and ROU asset.

The following is a summary of the Schools's total lease cost which approximates cash paid for amounts included in the measurement of the lease liability for the years ended June 30:

	2024	2023
Operating lease cost	<u>\$ 188,000</u>	<u>\$ 188,000</u>

The following is a summary of the School's maturity of operating lease liability:

2025	\$ 173,098
Less interest	<u>5,104</u>
Total lease liability	<u>\$ 167,994</u>

6. Retirement Plans:

The School participates in the New York State Teachers' Retirement System (TRS) which is a cost-sharing multiple employer public employee retirement system. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from TRS at www.nystrs.org.

No employee contribution is required for those whose service began prior to July 1976. TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate is 9.76% of the annual covered payroll for the year ended June 30, 2024, and 10.29% for the year ended June 30, 2023. The required contributions for the years ended June 30, 2024 and 2023 were \$238,281 and \$242,728.

The School also has a 403(b) plan covering selected employee groups. The School contributes 5% of non-instructional, qualifying employees' salaries to the plan, subject to certain limitations. The School's contribution was \$33,581 and \$21,256 for the years ended June 30, 2024 and 2023.

7. Contingencies:

The School is subject to claims and lawsuits that arise in the ordinary course of business. Management does not believe these claims will have a material adverse effect on the School.

8. Financial Assets Available for Operating Purposes:

The School obtains financial assets generally through enrollment fees and contributions. The financial assets are acquired throughout the year to help meet the School's cash needs for general expenditures. If necessary, the School also has access to a \$250,000 bank demand line of credit (Note 4).

The School's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30:

	2024	2023
Cash available for operations	\$ 868,013	\$ 468,975
Receivables	70,002	671,872
	\$ 938,015	\$ 1,140,847

INDEPENDENT AUDITORS' 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*

The Board of Trustees
Finn Academy: An Elmira Charter School

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 Finn Academy: An Elmira Charter School (the School) which comprise the balance sheet as of June 30, 2024, 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 16, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 16, 2024

MANAGEMENT LETTER

October 16, 2024

The Board of Trustees and Management
Finn Academy: An Elmira Charter School

In planning and performing our audit of the financial statements of Finn Academy: An Elmira Charter School (the School) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to errors or fraud may occur and not be detected by such controls. 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.

This communication is intended solely for the Board of Trustees and management of the School. It is not intended to be, and should not be, used by anyone other than these specified parties.

Lumsden & McCormick, LLP