

FAMILY LIFE ACADEMY CHARTER SCHOOLS

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2024

(With Comparative Totals for 2023)



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Family Life Academy Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Family Life Academy Charter Schools (the "Organization"), 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 referred to above present fairly, in all material respects, the financial position of Family Life Academy Charter Schools 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 Family Life Academy Charter Schools, 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 Family Life Academy Charter Schools' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 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 is derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024 on our consideration of Family Life Academy Charter Schools' 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 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 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 Family Life Academy Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 21, 2024

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

(With Comparative Totals for 2023)

<u>ASSETS</u>	June 30,	
	2024	2023
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 21,824,356	\$ 12,859,467
Certificates of deposit	2,504,851	2,384,390
Grants and other receivables	3,374,670	10,824,698
Prepaid expenses and other current assets	4,871,331	1,050,163
TOTAL CURRENT ASSETS	32,575,208	27,118,718
<u>PROPERTY AND EQUIPMENT, net</u>	4,087,289	3,768,042
<u>OTHER ASSETS</u>		
Deposits	545,306	550,305
Cash in escrow	200,000	200,000
Restricted cash	500,000	1,500,000
Due from related party	33,732	39,732
Right-of-use assets - operating	76,853,493	87,571,797
Right-of-use assets - finance	409,251	622,773
	78,541,782	90,484,607
TOTAL ASSETS	\$ 115,204,279	\$ 121,371,367
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 2,875,734	\$ 1,395,032
Accrued payroll and benefits	2,021,030	1,791,894
Vacation accrual	419,692	393,629
Deferred revenue	440,348	248,572
Current portion of lease liabilities - operating	3,094,914	4,607,491
Current portion of lease liabilities - finance	234,768	184,369
TOTAL CURRENT LIABILITIES	9,086,486	8,620,987
<u>OTHER LIABILITIES</u>		
Lease liabilities - operating	76,285,099	85,618,868
Lease liabilities - finance	223,555	458,323
	76,508,654	86,077,191
TOTAL LIABILITIES	85,595,140	94,698,178
<u>NET ASSETS</u>		
Without donor restrictions	29,496,674	26,370,381
With donor restrictions	112,465	302,808
	29,609,139	26,673,189
TOTAL LIABILITIES AND NET ASSETS	\$ 115,204,279	\$ 121,371,367

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	Year ended June 30,			2023
	2024		Total	
	Without donor restrictions	With donor restrictions		
Revenue, gains and other support:				
Public school district:				
Resident student enrollment	\$ 30,767,800	\$ -	\$ 30,767,800	\$ 26,709,843
Students with disabilities	1,776,912	-	1,776,912	1,091,490
Grants and contracts:				
State and local	118,685	-	118,685	109,311
Federal - Title and IDEA	1,482,889	-	1,482,889	1,345,656
Federal - other	2,904,550	-	2,904,550	3,721,006
Food service/Child Nutrition Program	1,272,271	-	1,272,271	1,174,409
NYC DOE rental assistance	5,501,935	-	5,501,935	4,274,268
TOTAL REVENUE, GAINS AND OTHER SUPPORT	43,825,042	-	43,825,042	38,425,983
Expenses:				
Program services:				
Regular education	30,772,887	-	30,772,887	28,179,624
Special education	5,741,539	-	5,741,539	2,553,890
Total program services	36,514,426	-	36,514,426	30,733,514
Management and general	5,826,678	-	5,826,678	5,550,987
Fundraising and special events	197,610	-	197,610	174,226
TOTAL OPERATING EXPENSES	42,538,714	-	42,538,714	36,458,727
SURPLUS FROM SCHOOL OPERATIONS	1,286,328	-	1,286,328	1,967,256
Support and other revenue:				
Contributions:				
Foundations	575,183	220,000	795,183	4,741,890
Individuals	5,445	-	5,445	9,155
Corporations	10,000	-	10,000	25,024
Fundraising	1,271	-	1,271	2,225
Interest income	837,344	-	837,344	576,883
Other income	379	-	379	471
Net assets released from restriction	410,343	(410,343)	-	-
TOTAL SUPPORT AND OTHER REVENUE	1,839,965	(190,343)	1,649,622	5,355,648
CHANGE IN NET ASSETS	3,126,293	(190,343)	2,935,950	7,322,904
Net assets at beginning of year	26,370,381	302,808	26,673,189	19,350,285
NET ASSETS AT END OF YEAR	<u>\$ 29,496,674</u>	<u>\$ 112,465</u>	<u>\$ 29,609,139</u>	<u>\$ 26,673,189</u>

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

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

	Year ended June 30,								
	2024						2023		
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel services costs:									
Administrative staff personnel	70	\$ 3,793,217	\$ 782,236	\$ 4,575,453	\$ 1,772,279	\$ 164,680	\$ 1,936,959	\$ 6,512,412	\$ 6,962,950
Instructional personnel	172	10,899,669	1,892,689	12,792,358	-	-	-	12,792,358	10,467,919
Non-instructional personnel	37	1,710,055	280,916	1,990,971	133,611	-	133,611	2,124,582	1,646,200
Total personnel services costs	279	16,402,941	2,955,841	19,358,782	1,905,890	164,680	2,070,570	21,429,352	19,077,069
Fringe benefits and payroll taxes		2,861,806	513,583	3,375,389	311,192	25,554	336,746	3,712,135	3,348,483
Retirement		264,357	50,304	314,661	46,671	5,031	51,702	366,363	302,088
Legal service		-	-	-	93,583	-	93,583	93,583	27,419
Accounting / audit services		-	-	-	78,383	-	78,383	78,383	116,828
Other purchased / professional / consulting services		537,648	105,693	643,341	1,227,867	1,451	1,229,318	1,872,659	718,476
Building and land rent / lease		5,942,132	1,040,017	6,982,149	291,099	-	291,099	7,273,248	6,139,936
Repairs and maintenance		663,834	111,020	774,854	36,522	-	36,522	811,376	669,050
Insurance		7,929	1,349	9,278	322,717	-	322,717	331,995	289,079
Utilities		458,267	78,860	537,127	22,541	-	22,541	559,668	466,466
Supplies / materials		579,146	101,757	680,903	2,187	-	2,187	683,090	665,291
Equipment / furnishings		20,014	3,512	23,526	1,150	-	1,150	24,676	28,409
Staff development		143,522	24,597	168,119	143,854	-	143,854	311,973	162,244
Marketing / recruitment		-	-	-	431,026	894	431,920	431,920	449,858
Technology		18,318	3,214	21,532	377,480	-	377,480	399,012	443,228
Food services		671,998	167,280	839,278	3,815	-	3,815	843,093	816,329
Student services		711,864	310,863	1,022,727	2,593	-	2,593	1,025,320	830,329
Office expense		450,153	79,590	529,743	205,510	-	205,510	735,253	722,552
Depreciation and amortization		1,038,958	194,059	1,233,017	138,018	-	138,018	1,371,035	1,139,101
Other		-	-	-	184,580	-	184,580	184,580	46,492
		\$ 30,772,887	\$ 5,741,539	\$ 36,514,426	\$ 5,826,678	\$ 197,610	\$ 6,024,288	\$ 42,538,714	\$ 36,458,727

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

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

	Year ended June 30,	
	2024	2023
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,935,950	\$ 7,322,904
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,157,513	1,121,307
Amortization of right-of-use assets	213,522	17,794
Interest on finance lease liabilities	22,244	2,125
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	7,450,028	(6,691,901)
Prepaid expenses and other current assets	(3,821,168)	(9,995)
Accounts payable and accrued expenses	1,480,702	844,963
Accrued payroll and benefits	229,136	265,166
Vacation accrual	26,063	14,578
Deferred revenue	191,776	52,083
Deferred lease incentive	-	(455,641)
Operating lease liabilities, net of right-of-use assets	(128,042)	2,654,562
Deferred rent payable	-	(2,160,373)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	9,757,724	2,977,572
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(1,476,760)	(1,288,918)
Deposits	4,999	(745,000)
Purchase of certificates of deposit	(120,461)	(23,078)
Change in due from related party	6,000	6,000
NET CASH USED FOR INVESTING ACTIVITIES	(1,586,222)	(2,050,996)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments on finance leases	(206,613)	(53,843)
NET CASH USED FOR FINANCING ACTIVITIES	(206,613)	(53,843)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	7,964,889	872,733
Cash and cash equivalents and restricted cash at beginning of year	14,559,467	13,686,734
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 22,524,356	\$ 14,559,467

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

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

	<u>Year ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	<u>\$ 22,244</u>	<u>\$ 377</u>
<u>NON CASH INVESTING AND FINANCING ACTIVITIES</u>		
Right-of-use assets obtained in exchange for new lease liabilities	<u>\$ -</u>	<u>\$ 1,908,109</u>

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Family Life Academy Charter Schools (the “Organization”) is an educational corporation operating in the borough of the Bronx, New York and is comprised of various individual charter schools.

Family Life Academy Charter School I (“FLACS I”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On May 14, 2001, the Board of Regents of the University of the State of New York granted FLACS I a provisional charter valid for a term of five years and renewable upon expiration. On May 20, 2008, August 19, 2013 and February 13, 2018, FLACS I obtained a five year renewal, which expired June 30, 2023. On March 17, 2022, FLACS I obtained a four year renewal, which expires July 31, 2027.

Family Life Academy Charter School II (“FLACS II”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On September 13, 2011, the Board of Regents of the University of the State of New York granted FLACS II a provisional charter valid for a term of five years and renewable upon expiration. On March 8, 2017, FLACS II obtained a five year renewal, which expired July 31, 2022. On March 17, 2022, FLACS II obtained a five year renewal, which expires July 31, 2027.

On March 31, 2014, the Board of Regents of the University of the State of New York amended the FLACS I charter agreement permitting additional schools under FLACS I’s educational corporation. During the 2014 fiscal year, FLACS I added Family Life Academy Charter School III (“FLACS III”) under its expanded charter. FLACS III had the authority to operate through July 31, 2019. On May 27, 2019, FLACS III obtained a five year renewal, which expires July 31, 2024. On March 17, 2022, FLACS III obtained a three year renewal, which expires July 31, 2027.

On June 6, 2019, the Board of Regents of the University of the State of New York amended the FLACS I charter agreement permitting additional schools under FLACS I’s educational corporation. During the 2019 fiscal year, FLACS I added Family Life Academy Charter School IV (“FLACS IV”) under its expanded charter. FLACS IV opened in September 2022 as Family Life Academy Charter Schools High School (“FLACS HS”).

FLACS I, FLACS II, FLACS III, and FLACS HS are schools in a predominately Latino community in the South Bronx. They seek to empower New York City English language learners in grades Kindergarten through Grade 8 to achieve high standards in English and to help them take responsibility for their own learning and encourage them to explore and affirm human values. On March 16, 2022, FLACS HS revised its charter to serve grades 9 through 12.

Family Life Academy Charter Schools Network (“FLACS N”) is a division of the educational corporation operating as a charter school management organization. FLACS N’s purpose is to manage and support a network of open-enrollment free charter schools committed to high academic standards, merit, citizenship and responsibility in New York City’s neediest neighborhoods.

Basis of presentation

The accompanying financial statements include the accounts of FLACS I, FLACS II, FLACS III, FLACS HS and FLACS N (collectively referred to as the “Organization”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization 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 the Organization.

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. Net assets with donor restrictions were \$112,465 and \$302,808 at June 30, 2024 and 2023, respectively.

Revenue recognition

Revenue from Exchange Transactions: The Organization 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.

The Organization records substantially all revenues over time as follows:

Public school district revenue

The Organization recognizes revenue as educational programming is provided to students throughout the year. The Organization 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 Organization. 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 Organization and the district(s) and are paid or recouped.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

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 Organization 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 Organization 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 contracts receivables	\$ 39,856	\$ 4,181,491	\$ 44,319

Contributions

The Organization 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 received are recorded as without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as without donor restricted revenue.

Contributions are recorded as with donor restrictions 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 Organization'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 Organization 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 and amounted to \$440,348 and \$248,572 at June 30, 2024 and 2023, respectively. The Organization received cost-reimbursement grants of approximately \$445,945 that have not been recognized at June 30, 2024 because qualifying expenditures have not yet been incurred

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Cash and cash equivalents

Cash and cash equivalents are maintained in certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Organization considers all highly liquid investments 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 Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Restricted cash

Per the bond agreement as described in Note C, \$500,000 and \$1,500,000 has been set aside at June 30, 2024 and 2023, respectively, as restricted cash for potential overruns of the project.

Cash in escrow

The Organization maintains cash in an escrow account, in accordance with the terms of its Charter Agreement. A portion of the escrow account is invested in a certificate of deposit with a maturity dates through November 2024.

Grants and other receivables

At each fiscal year end, the Organization 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 Organization 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 either of the years ended June 30, 2024 or 2023.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from two to fifteen 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.

Deferred revenue

The Organization records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Certificates of deposit

The Organization maintains its certificates of deposit at a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Organization's balance may exceed federally insured limits. The Organization has not experienced any losses in such account and does not believe it is exposed to any significant risk. Certificates of deposit have a maturity dates through November 2024.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Tax exempt status

The Organization 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 Organization files Form 990 tax returns in the U.S. federal jurisdiction. The Organization's current and prior three years tax returns remain subject to review by taxing authorities. Management of the Organization believe they have no material uncertain tax positions and, accordingly will not recognize any liability for unrecognized tax benefits.

Contributed goods and services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Organization received transportation services, special education services and a school nurse for the students from the local district. The Organization was unable to determine a value for these services.

There were no contributed services at June 30, 2024 and 2023.

Marketing costs

The Organization expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$432,000 and \$450,000 for the years ended June 30, 2024 and 2023, respectively.

Comparative information for the 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 Organization's financial statements for the year ended June 30, 2023 from which the summarized information was derived.

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.

Leases

The Organization leases its school facilities and equipment and determines if the arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and other liabilities on the accompanying statement of financial position. Finance leases are included in finance lease right-of-use assets, current liabilities, and other liabilities on the accompanying statement of financial position.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

ROU assets represent the Organization'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 lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the lease does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also 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 Organization will exercise that option.

Lease expense for lease payments is recognized on a straight-line basis over the lease term and for finance leases, as amortization expense and interest expense.

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

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization 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 judgement.

Adoption of new accounting pronouncement – current expected 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 Organization that are subject to the guidance in FASB ASC 326 were receivables.

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

Reclassifications

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

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 21, 2024, which is the date the financial statements are available to be issued. See Note E.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE B: LIQUIDITY AND AVAILABILITY

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

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of teaching 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 Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2024 and 2023.

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:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 21,824,356	\$ 12,859,467
Certificates of deposit	2,504,851	2,384,390
Grants and other receivables	<u>3,374,670</u>	<u>10,824,698</u>
Total financial assets available within one year	27,703,877	26,068,555
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(112,465)</u>	<u>(302,808)</u>
Total amount unavailable for general expenditures within one year	<u>(112,465)</u>	<u>(302,808)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 27,591,412</u>	<u>\$ 25,765,747</u>

The Organization has a \$400,000 line of credit that they could draw upon in the event of unanticipated liquidity needs. At June 30, 2024 and 2023, there were no amounts outstanding on this line.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE C: RELATED PARTY TRANSACTIONS

FLACS N receives a management allocation from FLACS I, FLACS II, and FLACS III (the “Charter Schools”). The Organization pays for certain operating expenses that benefit the entire organization and then allocates to each Charter School a percentage of these expenses based on the full-time equivalent student enrollment at each Charter School. FLACS N was allocated \$1,266,009 from FLACS I, \$2,913,396 from FLACS II, \$756,186 from FLACS III, and \$765,580 from FLACS HS for the year ended June 30, 2024. FLACS N was allocated \$1,340,997 from FLACS I, \$2,842,777 from FLACS II, \$903,120 from FLACS III, and \$342,091 from FLACS HS for the year ended June 30, 2023.

Classrooms and office facilities of FLACS I are leased from LPAC, whose President is a member of the Board of the Organization. See Note E for further details and future minimum lease payments. During the years ended June 30, 2024 and 2023, the Organization had approximately \$34,000 and \$40,000, respectively, of receivables from LPAC.

During December 2020, HB Foundation (“HB”), a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code was formed. HB is the sole member of Highbridge Facilities LLC (“Highbridge”). Highbridge issued bonds totaling \$125,105,000 to purchase the properties of FLACS II middle school, FLACS III and the property where FLACS HS will be located.

During February 2023, Highbridge issued an additional \$10,125,000 of bonds to fund construction projects at FLACS HS.

The Organization became the guarantor of these bonds. In addition, the Organization made a payment of \$500,000 during the year ended June 30, 2023 to finalize the bond deal. During fiscal year ended June 30, 2024, the Organization made additional payments of \$3,275,281 to Highbridge for rent payments under the lease agreement even though construction has been delayed. See Note E. These amounts are included in prepaid expenses and other assets at June 30, 2024 and 2023 on the accompanying statement of financial position. Upon commencement of the FLACS HS lease, the prepayment will be added to the right-of-use asset and adjusted accordingly.

The aggregate principal balance of the 2020 bonds at June 30, 2024 and 2023 was \$123,140,000 and \$123,830,000, respectively. At June 30, 2024, the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee was \$253,403,975.

The aggregate principal balance of the 2023 bonds at June 30, 2024 and 2023 was \$10,125,000. At June 30, 2024, the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee was \$26,173,464.

The Organization fully expects the bonds payable will be repaid by Highbridge in accordance with its terms.

In connection with the bond agreements, the Organization must comply with certain covenants. The Organization was in compliance with these covenants for the years ended June 30, 2024 and 2023.

In December 2020, the Organization entered into lease agreements with Highbridge for the FLACS II middle school, FLACS III and FLACS HS facilities. See Note E.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 5,458,959	\$ 5,186,164
Furniture and fixtures	2,665,616	2,151,711
Computers and equipment	4,829,058	4,138,998
	<u>12,953,633</u>	<u>11,476,873</u>
Less accumulated depreciation and amortization	8,866,344	7,708,831
	<u>\$ 4,087,289</u>	<u>\$ 3,768,042</u>

At both June 30, 2024 and 2023, \$422,269 of construction in progress was included in leasehold improvements; which was mainly for a future building project for FLACS HS.

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense was \$1,371,035 and \$1,121,307 for the years ended June 30, 2024 and 2023, respectively.

NOTE E: LEASES

Facilities Leases

FLACS I leased classrooms and office facilities under a non-cancelable lease agreement originally expiring in June 2018. The lease was amended effective September 1, 2016 with an expiration date of June 30, 2022 and a revised payment schedule. In November 2022, the lease was extended through June 2027. FLACS I's base rent for the years ended June 30, 2024 and 2023 was \$1,406,311 and \$1,365,350, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease.

Total rent expense relative to this lease was \$1,464,763 and \$1,506,971 for the years ended June 30, 2024 and 2023, respectively. In conjunction with this facility lease, FLACS I paid a security deposit of \$155,833 which is included in deposits on the accompanying statement of financial position at June 30, 2024 and 2023.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE E: LEASES, Cont'd

FLACS II leases classrooms and office facilities under a non-cancelable lease agreement expiring in June 2038 which they assumed from their former landlord effective January 2015. FLACS II's base rent for the years ended June 30, 2024 and 2023 was \$693,363 and \$666,695, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. In connection with the assumption of this lease, the former landlord agreed to share in the cost of FLACS II making certain leasehold improvements to the building in accordance with the terms of the agreement. Rent expense relative to this lease was \$771,192 and \$831,144 for the years ended June 30, 2024 and 2023, respectively. Also in conjunction with this facility lease, FLACS II paid a security deposit of \$163,477, as of June 30, 2019 and received a credit towards this deposit of \$14,005 during 2020, leaving a balance of \$149,472 at June 30, 2024 and 2023, which is included in deposits on the accompanying statement of financial position at June 30, 2024 and 2023.

On December 22, 2020, FLACS II entered into a lease agreement for its middle school with Highbridge. Rent payments commenced January 1, 2021 and go through June 30, 2055. The lease was amended in November 2023. FLACS II middle school's base rent for the years ended June 30, 2024 and June 30, 2023 was \$2,800,285 and \$2,684,608, respectively. The base rent increases in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. Rent expense relative to this lease was \$2,630,397 and \$2,621,614 for the years ended June 30, 2024 and 2023, respectively.

In connection with the Highbridge agreement, the lease requires certain covenants to be met. The Organization was in compliance with these covenants for the years ended June 30, 2024 and 2023.

On December 22, 2020, FLACS III entered into a lease agreement with Highbridge. Rent payments commenced on January 1, 2021 and go through June 30, 2055. The lease was amended in November 2023. FLACS III's base rent for the years ended June 30, 2024 and June 30, 2023 was \$921,622 and \$920,683, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. Rent expense was \$894,780 and \$879,056 for the years ended June 30, 2024 and 2023, respectively.

In connection with the Highbridge agreement, the lease requires certain covenants to be met. The Organization was in compliance with these covenants for the years ended June 30, 2024 and 2023.

On May 1, 2023, FLACS HS entered into a lease agreement with a third party for facilities. Rent payments commenced on May 1, 2023 and go through June 30, 2024. The lease was extended through August 31, 2024 at a monthly rate of \$120,000. FLACS HS's base rent for the years ended June 30, 2024 and 2023 was \$1,440,000 and \$180,000, respectively. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. Rent expense was \$1,388,571 and \$231,429 for the years ended June 30, 2024 and 2023, respectively. In conjunction with this facility lease, FLACS HS paid a security deposit of \$240,000, which is included in deposits on the accompanying statement of financial position at June 30, 2024 and 2023.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE E: LEASES, Cont'd

On December 22, 2020, FLACS HS entered into a lease agreement with Highbridge for a new school building as described in Note C. The lease has a thirty five year term upon completion of the building, and payments are to be determined upon completion of the building. The building was completed in August 2024. The building was originally projected to be completed in September 2022. Even though the construction has been delayed by three years, FLACS HS is required to make the originally scheduled payments. The total amount of rental payments due over the lease term will be charged to rent expense on the straight-line method over the term of the lease. FLACS HS and Highbridge negotiated an amended lease agreement due to the delay in construction. The lease was amended in November 2023. FLACS HS did not have access to the property at June 30, 2024; and therefore, this lease is not included in right-of-use assets and lease liabilities at June 30, 2024. Future payments due under the amended lease agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2025	\$ 4,639,778
2026	5,760,778
2027	5,980,998
2028	5,984,594
2029	5,984,676
Thereafter	<u>157,200,401</u>
	<u>\$ 185,551,225</u>

Equipment leases

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through May 2026.

A summary of right-of-use assets and liabilities are as follows:

	<u>Statement of Financial Position Classification</u>	<u>June 30,</u>	
		<u>2024</u>	<u>2023</u>
Assets			
Right-of-use assets -			
Operating	Other assets	\$ 76,853,493	\$ 87,571,797
Finance	Other assets	<u>409,251</u>	<u>622,773</u>
		<u>\$ 77,262,744</u>	<u>\$ 88,194,570</u>
Liabilities			
Current portion of lease liabilities -			
Operating	Current liabilities	\$ 3,094,914	\$ 4,607,491
Finance	Current liabilities	234,768	184,369
Lease liabilities -			
Operating	Other liabilities	76,285,099	85,618,868
Finance	Other liabilities	<u>223,555</u>	<u>458,323</u>
		<u>\$ 79,838,336</u>	<u>\$ 90,869,051</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE E: LEASES, Cont'd

The components of lease expense are as follows:

	Year ended June 30,	
	2024	2023
Finance lease cost:		
Amortization of right-of-use assets	\$ 213,522	\$ 17,794
Interest on lease liabilities	22,244	2,125
Total finance lease costs	235,766	19,919
Operating lease cost:		
Operating lease expense	7,322,471	6,348,152
Total lease cost	\$ 7,558,237	\$ 6,368,071

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

<u>Year ending June 30,</u>	<u>Finance leases</u>	<u>Operating leases</u>	<u>Total</u>
2025	\$ 247,935	\$ 6,005,215	\$ 6,253,150
2026	227,274	5,993,622	6,220,896
2027	-	5,873,474	5,873,474
2028	-	4,372,320	4,372,320
2029	-	4,407,257	4,407,257
Thereafter	-	100,566,161	100,566,161
Total lease payments	475,209	127,218,049	127,693,258
Less: Interest	(16,886)	(47,838,036)	(47,854,922)
Present value of lease liabilities	\$ 458,323	\$ 79,380,013	\$ 79,838,336

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE E: LEASES, Cont'd

Supplemental information:

	<u>Year ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 7,450,511	\$ 6,158,266
Operating cash flows for finance leases (i.e. principal portion)	\$ 183,759	\$ -
Financing cash flows for finance leases (i.e. Interest)	\$ 22,854	\$ -
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Operating leases	\$ -	\$ 1,908,109
Finance leases	\$ -	\$ 640,567
Weighted-average remaining lease term:		
Operating leases	27.21	27.66
Finance leases	1.92	2.92
Weighted-average discount rate:		
Operating leases	3.78%	3.14%
Finance leases	3.98%	3.98%

NOTE F: RETIREMENT PLAN

The Organization sponsors a 401(k) plan (the "Plan") for all eligible employees that are predominantly funded by employees' contributions. The Organization matches employees' contributions up to 4% of their annual salary. During the years ended June 30, 2024 and 2023, the Organization contributed approximately \$366,400 and \$302,100, respectively, to the Plan.

NOTE G: 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 Organization. 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.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE H: CONCENTRATIONS

At June 30, 2024, approximately 93% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2024, 74% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

At June 30, 2023, approximately 96% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2023, 72% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

NOTE I: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Undesignated	\$ 25,409,385	\$ 22,602,339
Invested in property and equipment	<u>4,087,289</u>	<u>3,768,042</u>
	<u>\$ 29,496,674</u>	<u>\$ 26,370,381</u>

Net assets with donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Music program	\$ 4,143	\$ 4,143
High school project	15,000	15,000
College and career readiness	-	283,640
Professional development program	25	25
Literacy research to practice	<u>93,297</u>	<u>-</u>
	<u>\$ 112,465</u>	<u>\$ 302,808</u>

NOTE J: LINE OF CREDIT

In July 2018, the Organization entered into a line of credit agreement with a bank with maximum borrowings of \$400,000. The line bears interest at the prime rate plus 2% per annum and is secured primarily by the assets of the Organization. There was no balance outstanding at June 30, 2024 or 2023. The line expires in December 2024.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE K: 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 are allocated on the basis of estimates of time and effort.

NOTE L: CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents and restricted cash balances at June 30, 2024 and 2023 consisted of the following:

	June 30,	
	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 21,824,356	\$ 12,859,467
Cash in escrow	200,000	200,000
Restricted cash	<u>500,000</u>	<u>1,500,000</u>
	<u>\$ 22,524,356</u>	<u>\$ 14,559,467</u>

NOTE M: ACCOUNTING 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 Organization has recognized \$2,179,294 and \$2,992,890 of revenue relative to ESSER grants during the years ended June 30, 2024 and 2023, respectively.

The Emergency Connectivity Fund (ECF) was also established to award grants to state and local educational agencies. The Organization has recognized \$63,255 of revenue relative to ECF grants during the year ended June 30, 2024. There were no amounts recognized relative to this grant during the year ended June 30, 2023.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Family Life Academy Charter Schools

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2024, and have issued our report thereon dated October 21, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2024, as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 21, 2024

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2024

<u>ASSETS</u>	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter Schools HS</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT ASSETS</u>							
Cash and cash equivalents	\$ 2,851,964	\$ 11,208,981	\$ 3,556,843	\$ 209,558	\$ 3,997,010	\$ -	\$ 21,824,356
Certificates of deposit	23,161	2,481,690	-	-	-	-	2,504,851
Grants and other receivables	855,618	1,751,230	441,562	230,345	95,915	-	3,374,670
Interschool receivables	692,789	299,648	-	-	2,014,347	(3,006,784)	-
Prepaid expenses and other current assets	18,918	105,590	8,103	121,422	4,617,298	-	4,871,331
TOTAL CURRENT ASSETS	<u>4,442,450</u>	<u>15,847,139</u>	<u>4,006,508</u>	<u>561,325</u>	<u>10,724,570</u>	<u>(3,006,784)</u>	<u>32,575,208</u>
<u>PROPERTY AND EQUIPMENT, net</u>	387,277	2,132,022	245,873	1,285,186	36,931	-	4,087,289
<u>OTHER ASSETS</u>							
Deposits	155,833	149,472	1	240,000	-	-	545,306
Cash in escrow	200,000	-	-	-	-	-	200,000
Restricted cash	-	-	-	-	500,000	-	500,000
Due from related party	33,732	-	-	-	-	-	33,732
Right-of-use assets - operating	4,209,256	56,081,498	16,349,610	-	213,129	-	76,853,493
Right-of-use assets - finance	-	-	-	-	409,251	-	409,251
	<u>4,598,821</u>	<u>56,230,970</u>	<u>16,349,611</u>	<u>240,000</u>	<u>1,122,380</u>	<u>-</u>	<u>78,541,782</u>
TOTAL ASSETS	<u>\$ 9,428,548</u>	<u>\$ 74,210,131</u>	<u>\$ 20,601,992</u>	<u>\$ 2,086,511</u>	<u>\$ 11,883,881</u>	<u>\$ (3,006,784)</u>	<u>\$ 115,204,279</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION BY CHARTER, Cont'd

JUNE 30, 2024

<u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u>	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter Schools HS</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT LIABILITIES</u>							
Accounts payable and accrued expenses	\$ 165,799	\$ 282,426	\$ 63,138	\$ 205,711	\$ 2,158,660	\$ -	\$ 2,875,734
Interschool payables	-	-	7,590	2,999,194	-	(3,006,784)	-
Accrued payroll and benefits	365,938	956,192	252,756	328,870	117,274	-	2,021,030
Vacation accrual	65,316	147,250	42,062	35,299	129,765	-	419,692
Deferred revenue	67	28,618	137,047	3,576	271,040	-	440,348
Current portion of lease liabilities - operating	1,346,038	1,350,318	300,285	-	98,273	-	3,094,914
Current portion of lease liabilities - finance	-	-	-	-	234,768	-	234,768
TOTAL CURRENT LIABILITIES	<u>1,943,158</u>	<u>2,764,804</u>	<u>802,878</u>	<u>3,572,650</u>	<u>3,009,780</u>	<u>(3,006,784)</u>	<u>9,086,486</u>
<u>OTHER LIABILITIES</u>							
Lease liabilities - operating	2,946,097	57,166,671	16,078,730	-	93,601	-	76,285,099
Lease liabilities - finance	-	-	-	-	223,555	-	223,555
TOTAL LIABILITIES	<u>2,946,097</u>	<u>57,166,671</u>	<u>16,078,730</u>	<u>-</u>	<u>317,156</u>	<u>-</u>	<u>76,508,654</u>
TOTAL LIABILITIES	<u>4,889,255</u>	<u>59,931,475</u>	<u>16,881,608</u>	<u>3,572,650</u>	<u>3,326,936</u>	<u>(3,006,784)</u>	<u>85,595,140</u>
<u>NET ASSETS (DEFICIENCY)</u>							
Without donor restrictions	4,535,150	14,278,656	3,720,384	(1,501,139)	8,463,623	-	29,496,674
With donor restrictions	4,143	-	-	15,000	93,322	-	112,465
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>\$ 9,428,548</u>	<u>\$ 74,210,131</u>	<u>\$ 20,601,992</u>	<u>\$ 2,086,511</u>	<u>\$ 11,883,881</u>	<u>\$ (3,006,784)</u>	<u>\$ 115,204,279</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIENCY) BY CHARTER

YEAR ENDED JUNE 30, 2024

	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter Schools HS</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
Revenue, gains and other support:							
Public school district:							
Resident student enrollment	\$ 7,270,594	\$ 16,184,203	\$ 3,705,525	\$ 3,607,478	\$ -	\$ -	\$ 30,767,800
Students with disabilities	177,669	1,064,629	144,681	389,933	-	-	1,776,912
Grants and contracts:							
State and local	31,334	60,977	18,359	8,015	-	-	118,685
Federal - Title and IDEA	374,039	733,140	185,575	190,135	-	-	1,482,889
Federal - other	711,073	1,476,628	294,852	409,965	12,032	-	2,904,550
Food service/Child Nutrition Program	284,276	610,642	240,689	136,664	-	-	1,272,271
NYC DOE rental assistance	-	3,498,070	921,622	1,082,243	-	-	5,501,935
TOTAL REVENUE, GAINS AND OTHER SUPPORT	8,848,985	23,628,289	5,511,303	5,824,433	12,032	-	43,825,042
Expenses:							
Program services:							
Regular education	6,354,615	15,028,885	3,943,688	4,980,074	2,877,221	(2,411,596)	30,772,887
Special education	901,204	2,837,860	661,021	1,211,640	899,471	(769,657)	5,741,539
Total program services	7,255,819	17,866,745	4,604,709	6,191,714	3,776,692	(3,181,253)	36,514,426
Management and general	1,115,777	2,742,273	815,116	805,318	2,702,779	(2,354,585)	5,826,678
Fundraising and special events	37,036	86,123	22,122	22,397	195,265	(165,333)	197,610
TOTAL OPERATING EXPENSES	8,408,632	20,695,141	5,441,947	7,019,429	6,674,736	(5,701,171)	42,538,714
SURPLUS (DEFICIT) / FROM SCHOOL OPERATIONS	440,353	2,933,148	69,356	(1,194,996)	(6,662,704)	5,701,171	1,286,328
Support and other revenue:							
Contributions:							
Foundations	-	-	-	113,583	681,600	-	795,183
Individuals	-	-	-	-	5,445	-	5,445
Corporations	-	10,000	-	-	-	-	10,000
Management fee income	-	-	-	-	5,701,171	(5,701,171)	-
Fundraising	-	1,271	-	-	-	-	1,271
Interest income	103,772	225,806	133,051	13,803	360,912	-	837,344
Other income	-	-	-	-	379	-	379
TOTAL SUPPORT AND OTHER REVENUE	103,772	237,077	133,051	127,386	6,749,507	(5,701,171)	1,649,622
CHANGE IN NET ASSETS	544,125	3,170,225	202,407	(1,067,610)	86,803	-	2,935,950
Net assets (deficiency) at beginning of year	3,995,168	11,108,431	3,517,977	(418,529)	8,470,142	-	26,673,189
NET ASSETS (DEFICIENCY) AT END OF YEAR	\$ 4,539,293	\$ 14,278,656	\$ 3,720,384	\$ (1,486,139)	\$ 8,556,945	\$ -	\$ 29,609,139

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL I

YEAR ENDED JUNE 30, 2024

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	7	\$ 476,387	\$ 59,917	\$ 536,304	\$ 132,869	\$ -	\$ 132,869	\$ 669,173
Instructional personnel	37	2,305,479	289,966	2,595,445	-	-	-	2,595,445
Non-instructional personnel	<u>10</u>	<u>385,158</u>	<u>48,442</u>	<u>433,600</u>	<u>40,491</u>	<u>-</u>	<u>40,491</u>	<u>474,091</u>
Total personnel services costs	54	3,167,024	398,325	3,565,349	173,360	-	173,360	3,738,709
Fringe benefits and payroll taxes		544,119	68,435	612,554	29,784	-	29,784	642,338
Retirement		30,757	3,868	34,625	1,684	-	1,684	36,309
Other purchased / professional / consulting services		558,866	172,257	731,123	652,302	37,036	689,338	1,420,461
Building and land rent / lease		1,240,787	156,057	1,396,844	67,919	-	67,919	1,464,763
Repairs and maintenance		127,483	16,034	143,517	6,978	-	6,978	150,495
Insurance		1,827	230	2,057	70,337	-	70,337	72,394
Utilities		91,961	11,566	103,527	5,034	-	5,034	108,561
Supplies / materials		112,386	14,135	126,521	-	-	-	126,521
Equipment / furnishings		3,430	431	3,861	188	-	188	4,049
Staff development		2,409	303	2,712	16,238	-	16,238	18,950
Marketing / recruitment		-	-	-	473	-	473	473
Technology		5,952	749	6,701	65,236	-	65,236	71,937
Food services		238,725	30,025	268,750	-	-	-	268,750
Student services		45,154	5,679	50,833	-	-	-	50,833
Office expense		44,326	5,576	49,902	18,613	-	18,613	68,515
Depreciation and amortization		139,409	17,534	156,943	7,631	-	7,631	164,574
		<u>\$ 6,354,615</u>	<u>\$ 901,204</u>	<u>\$ 7,255,819</u>	<u>\$ 1,115,777</u>	<u>\$ 37,036</u>	<u>\$ 1,152,813</u>	<u>\$ 8,408,632</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

BRONX, NEW YORK

SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
THE UNIFORM GUIDANCE

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2024



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

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
Family Life Academy Charter Schools

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 Family Life Academy Charter Schools, 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 21, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Family Life Academy Charter Schools' internal control.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Life Academy Charter Schools' financial statements are free of 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 is 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, Baw & Co. LLP

Rochester, New York
October 21, 2024



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Family Life Academy Charter Schools

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited Family Life Academy Charter Schools’ compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Family Life Academy Charter Schools’ major federal programs for the year ended June 30, 2024. Family Life Academy Charter Schools’ 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, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Family Life Academy Charter Schools complied, in all material respects, with the 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, 2024.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Family Life Academy Charter Schools 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 Family Life Academy Charter Schools’ compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Elementary and Secondary School Emergency Relief Fund

As described in the accompanying schedule of findings and questioned costs, Family Life Academy Charter Schools did not comply with requirements regarding Assistance Listing Numbers 84.425D ESSER II, 84.425U ARP ESSER, and 84.425W ARP ESSER HCY as described in finding number 2024-001 for Reporting.

Compliance with such requirements is necessary, in our opinion, for Family Life Academy Charter Schools to comply with the requirements applicable to that program.

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 Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' 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 GAAS, *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 Family Life Academy Charter Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Family Life Academy Charter Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' 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.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Family Life Academy Charter Schools' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Family Life Academy Charter Schools' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Family Life Academy Charter Schools' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Family Life Academy Charter Schools' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2024, and have issued our report thereon dated October 21, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 21, 2024

FAMILY LIFE ACADEMY CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 1,052,974
Title IIA - Improving Teacher Quality	84.367	0147	118,715
Title III, Part A - English Language Acquisition Grants	84.365	0293	46,355
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	0204	82,519
Charter Schools Program - Grants for Replication and Expansion of High-Quality Charter Schools	84.282M	U282M170049	389,545
McKinney-Vento Education for Homeless Children and Youth Program	84.196A	0212	156,455
<u>Education Stabilization Funds -</u>			
ESSER II - Elementary and Secondary School Emergency Relief Fund	84.425D	5891	40,438
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	5880	2,126,318
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	5218	<u>12,538</u>
<i>Total Education Stabilization Funds</i>			<u>2,179,294</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			4,025,857
U.S. Department of Agriculture:			
<u>Passed through New York State Education Department:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	1000001406	291,247
National School Lunch Program	10.555	1000001406	912,671
Supply Chain Assistance - COVID	10.555	1000001406	<u>45,300</u>
<i>Total Child Nutrition Cluster</i>			<u>1,249,218</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,249,218
Federal Communications Commission:			
<u>Passed through the Universal Service</u>			
<u>Administrative Company</u>			
Emergency Connectivity Fund Program	32.009	226316	21,985
Emergency Connectivity Fund Program	32.009	16067230	28,870
Emergency Connectivity Fund Program	32.009	16076310	<u>12,400</u>
TOTAL FEDERAL COMMUNICATIONS COMMISSION			<u>63,255</u>
TOTAL ALL PROGRAMS			<u>\$ 5,338,330</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2024

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Life Academy Charter Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Family Life Academy Charter Schools has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

FAMILY LIFE ACADEMY CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report 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? x yes _____ no
- Significant deficiency(ies) identified? _____ yes x none reported
- Type of auditor's report issued on compliance for major federal programs: Qualified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of major federal program:

AL Number:

84.425D, 84.425U & 84.425W

Name of Federal Program or Cluster:

ESSER II, ARP ESSER, & ARP ESSER HCY

Dollar threshold used to distinguish between type A and type B programs:

 \$750,000

Auditee qualified as low-risk auditee? x yes _____ no

FAMILY LIFE ACADEMY CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2024

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2024-001

Identification of the Federal Program

U.S. Department of Education:

AL 84.425D ESSER II – Elementary and Secondary School Emergency Relief Fund

AL 84.425U ARP ESSER – American Rescue Plan - Elementary and Secondary School Emergency Relief Fund

AL 84.425W ARP ESSER HCY – American Rescue Plan – Elementary and Secondary Emergency Relief – Homeless Children and Youth

Passed through New York State Education Department – as shown on the Schedule of Federal Expenditures

Compliance Requirement: Reporting

Criteria

The Organization is required to submit an annual report to New York State Education Department - the Education Stabilization Fund Annual Reporting - to provide required information which is then utilized by NYSED to complete the U.S. Department of Education ESF – ESSER Recipient Data Collection Form. A critical component of this report is the accurate reporting of the Organization’s number of positions supported with ESSER funds and expenditures by ESSER subgrant and accounting object for the period from July 1, 2022, to June 30, 2023, and was required to be filed by February 15, 2024. In accordance with the instructions for completing the form, expenditures are defined as the reimbursement payments received by the Organization during the reporting period.

Statement of condition and cause

During our audit, we noted the Organization inaccurately reported expenditures on the Education Stabilization Fund Annual Reporting for period from July 1, 2022 to June 30, 2023 as a result of utilizing the accrual basis of accounting to determine expenditures, rather than the amount of reimbursement payments received. Management’s internal controls over compliance with respect to this report did not allow management to detect and correct the error on a timely basis.

Effect

As a result of utilizing the incorrect reporting basis, the information reported to the pass-through entity (NYSED) on the Education Stabilization Fund Annual Reporting was incorrect. This could lead to errors in the amounts ultimately reported to the U.S. Department of Education by NYSED.

Questioned Costs

N/A

FAMILY LIFE ACADEMY CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2024

Repeat Finding

No

Recommendation

We recommend the Organization review the NYSED Grants Finance reports via the NYSED website to determine the reimbursement payments received during the applicable reporting period and agree the amounts per the website to the total amounts shown in the Education Stabilization Fund Annual Reporting. This will ensure that the information is shown in accordance with the instructions for the NYSED report and the related U.S. Department of Education requirements.

Management response

See Corrective Action Plan attached

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.



Subject: Corrective action plan for an ESSER Report finding of the FY24 financial audit

We thought it was to be reported on the accrual basis to coincide with the Schedule of Federal Expenditures for expenditure incurred in the period of 7/1/2022-6/30/2023. If only expenses up to the amounts received were to be reported for the period, there would be no data related to the ESSER II and ARP grants to report since we had incurred expenses exceeding the cash payments received prior to 6/30/2022. The original reports were reviewed by NYSED during their desk audit and they did not report any issues with it. In the future, we will contact the agency for the reporting instruction clarifications.

Sincerely,

/s/ Philip Deng

Philip Deng
Chief Financial Officer

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL II

YEAR ENDED JUNE 30, 2024

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	21	\$ 1,039,648	\$ 184,579	\$ 1,224,227	\$ 255,129	\$ -	\$ 255,129	\$ 1,479,356
Instructional personnel	88	5,422,398	962,690	6,385,088	-	-	-	6,385,088
Non-instructional personnel	20	731,393	129,851	861,244	70,110	-	70,110	931,354
Total personnel services costs	129	7,193,439	1,277,120	8,470,559	325,239	-	325,239	8,795,798
Fringe benefits and payroll taxes		1,306,650	231,982	1,538,632	59,078	-	59,078	1,597,710
Retirement		95,390	16,936	112,326	4,313	-	4,313	116,639
Other purchased / professional / consulting services		1,353,513	409,941	1,763,454	1,593,453	85,229	1,678,682	3,442,136
Building and land rent / lease		2,882,949	511,837	3,394,786	130,348	-	130,348	3,525,134
Repairs and maintenance		355,326	63,084	418,410	16,065	-	16,065	434,475
Insurance		4,028	715	4,743	162,299	-	162,299	167,042
Utilities		254,888	45,253	300,141	11,524	-	11,524	311,665
Supplies / materials		264,429	50,429	314,858	-	-	-	314,858
Equipment / furnishings		11,966	2,125	14,091	541	-	541	14,632
Staff development		36,185	6,424	42,609	90,695	-	90,695	133,304
Marketing / recruitment		-	-	-	565	894	1,459	1,459
Technology		7,277	1,292	8,569	138,740	-	138,740	147,309
Food services		137,121	82,697	219,818	-	-	-	219,818
Student services		538,858	33,833	572,691	-	-	-	572,691
Office expense		83,748	14,869	98,617	73,909	-	73,909	172,526
Depreciation and amortization		503,118	89,323	592,441	22,748	-	22,748	615,189
Other		-	-	-	112,756	-	112,756	112,756
		\$ 15,028,885	\$ 2,837,860	\$ 17,866,745	\$ 2,742,273	\$ 86,123	\$ 2,828,396	\$ 20,695,141

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL III

YEAR ENDED JUNE 30, 2024

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	10	\$ 395,273	\$ 61,089	\$ 456,362	\$ 112,170	\$ -	\$ 112,170	\$ 568,532
Instructional personnel	22	1,335,232	206,359	1,541,591	-	-	-	1,541,591
Non-instructional personnel	4	188,224	29,090	217,314	23,010	-	23,010	240,324
Total personnel services costs	36	1,918,729	296,538	2,215,267	135,180	-	135,180	2,350,447
Fringe benefits and payroll taxes		333,648	51,565	385,213	23,506	-	23,506	408,719
Retirement		41,459	6,408	47,867	2,921	-	2,921	50,788
Other purchased / professional / consulting services		358,111	106,871	464,982	435,087	22,122	457,209	922,191
Building and land rent / lease		730,431	112,888	843,319	51,461	-	51,461	894,780
Repairs and maintenance		134,186	20,739	154,925	9,454	-	9,454	164,379
Insurance		1,065	164	1,229	42,599	-	42,599	43,828
Utilities		53,833	8,320	62,153	3,793	-	3,793	65,946
Supplies / materials		66,991	10,354	77,345	-	-	-	77,345
Equipment / furnishings		1,731	268	1,999	122	-	122	2,121
Staff development		1,031	159	1,190	1,501	-	1,501	2,691
Marketing / recruitment		-	-	-	60	-	60	60
Technology		244	38	282	61,450	-	61,450	61,732
Food services		168,471	26,037	194,508	-	-	-	194,508
Student services		14,452	2,234	16,686	-	-	-	16,686
Office expense		31,578	4,880	36,458	17,841	-	17,841	54,299
Depreciation and amortization		87,728	13,558	101,286	6,181	-	6,181	107,467
Other		-	-	-	23,960	-	23,960	23,960
		<u>\$ 3,943,688</u>	<u>\$ 661,021</u>	<u>\$ 4,604,709</u>	<u>\$ 815,116</u>	<u>\$ 22,122</u>	<u>\$ 837,238</u>	<u>\$ 5,441,947</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOLS HS

YEAR ENDED JUNE 30, 2024

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	6	\$ 385,225	\$ 91,790	\$ 477,015	\$ 85,145	\$ -	\$ 85,145	\$ 562,160
Instructional personnel	24	1,779,988	424,127	2,204,115	-	-	-	2,204,115
Non-instructional personnel	<u>2</u>	<u>73,905</u>	<u>17,610</u>	<u>91,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,515</u>
Total personnel services costs	32	2,239,118	533,527	2,772,645	85,145	-	85,145	2,857,790
Fringe benefits and payroll taxes		384,937	91,722	476,659	14,638	-	14,638	491,297
Retirement		39,174	9,334	48,508	1,490	-	1,490	49,998
Other purchased / professional / consulting services		655,818	180,800	836,618	507,645	22,397	530,042	1,366,660
Building and land rent / lease		1,087,965	259,235	1,347,200	41,371	-	41,371	1,388,571
Repairs and maintenance		43,534	10,373	53,907	1,655	-	1,655	55,562
Insurance		1,009	240	1,249	42,712	-	42,712	43,961
Utilities		57,585	13,721	71,306	2,190	-	2,190	73,496
Supplies / materials		57,519	13,706	71,225	2,187	-	2,187	73,412
Equipment / furnishings		2,887	688	3,575	110	-	110	3,685
Staff development		2,561	610	3,171	1,155	-	1,155	4,326
Marketing / recruitment		-	-	-	9,984	-	9,984	9,984
Technology		4,560	1,087	5,647	49,437	-	49,437	55,084
Food services		100,328	23,905	124,233	3,815	-	3,815	128,048
Student services		68,183	16,246	84,429	2,593	-	2,593	87,022
Office expense		58,295	14,367	72,662	32,312	-	32,312	104,974
Depreciation and amortization		176,601	42,079	218,680	6,715	-	6,715	225,395
Other		-	-	-	164	-	164	164
		<u>\$ 4,980,074</u>	<u>\$ 1,211,640</u>	<u>\$ 6,191,714</u>	<u>\$ 805,318</u>	<u>\$ 22,397</u>	<u>\$ 827,715</u>	<u>\$ 7,019,429</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL NETWORK

YEAR ENDED JUNE 30, 2024

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	26	\$ 1,496,684	\$ 384,861	\$ 1,881,545	\$ 1,186,966	\$ 164,680	\$ 1,351,646	\$ 3,233,191
Instructional personnel	1	56,572	9,547	66,119	-	-	-	66,119
Non-instructional personnel	1	331,375	55,923	387,298	-	-	-	387,298
Total personnel services costs	28	1,884,631	450,331	2,334,962	1,186,966	164,680	1,351,646	3,686,608
Fringe benefits and payroll taxes		292,447	69,879	362,326	184,186	25,554	209,740	572,066
Retirement		57,577	13,758	71,335	36,263	5,031	41,294	112,629
Legal service		-	-	-	93,583	-	93,583	93,583
Accounting / audit services		-	-	-	78,383	-	78,383	78,383
Other purchased / professional / consulting services		22,936	5,481	28,417	393,965	-	393,965	422,382
Repairs and maintenance		3,305	790	4,095	2,370	-	2,370	6,465
Insurance		-	-	-	4,770	-	4,770	4,770
Supplies / materials		77,821	13,133	90,954	-	-	-	90,954
Equipment / furnishings		-	-	-	189	-	189	189
Staff development		101,336	17,101	118,437	34,265	-	34,265	152,702
Marketing / recruitment		-	-	-	419,944	-	419,944	419,944
Technology		285	48	333	62,617	-	62,617	62,950
Food services		27,353	4,616	31,969	-	-	-	31,969
Student services		45,217	252,871	298,088	-	-	-	298,088
Office expense		232,211	39,898	272,109	62,835	-	62,835	334,944
Depreciation and amortization		132,102	31,565	163,667	94,743	-	94,743	258,410
Other		-	-	-	47,700	-	47,700	47,700
		<u>\$ 2,877,221</u>	<u>\$ 899,471</u>	<u>\$ 3,776,692</u>	<u>\$ 2,702,779</u>	<u>\$ 195,265</u>	<u>\$ 2,898,044</u>	<u>\$ 6,674,736</u>