
THE ACADEMY CHARTER SCHOOL 2

Financial Statements

For the years ended June 30, 2024 and 2023

Independent Auditor’s Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Academy Charter School 2 (“TACS2”) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of TACS2 as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TACS2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TACS2’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TACS2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TACS2's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of TACS2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TACS2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TACS2's internal control over financial reporting and compliance.

NChing LLP

New York, New York
October 31, 2024

THE ACADEMY CHARTER SCHOOL 2**Statements of Financial Position**

As of June 30,

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current assets		
Cash	\$ 669,023	\$ -
Accounts receivable	496,590	451,898
Grants receivable - government agencies	314,681	677,113
Prepaid expenses	-	15,150
Due from affiliate (FOTA)	310,761	-
Reimbursement for New School Facility	-	4,616,368
Total current assets	<u>1,791,055</u>	<u>5,760,529</u>
Property and equipment, net	7,287,513	7,503,426
Other assets		
Security and other deposits	<u>3,685</u>	<u>22,882</u>
Total assets	<u><u>\$ 9,082,253</u></u>	<u><u>\$ 13,286,837</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 144,194	\$ 152,039
Accrued salaries and other payroll-related expenses	625,048	477,648
Accrued bond interest	164,027	-
Mortgage payable	-	958,176
Due to affiliate (TACS)	<u>2,505,243</u>	<u>11,803,963</u>
Total current liabilities	<u>3,438,512</u>	<u>13,391,826</u>
Bonds payable	7,179,963	-
CSGF convertible loan	<u>300,000</u>	<u>300,000</u>
Total long-term liabilities	<u>7,479,963</u>	<u>300,000</u>
Total liabilities	10,918,475	13,691,826
Net assets without donor restrictions	<u>(1,836,222)</u>	<u>(404,989)</u>
Total liabilities and net assets	<u><u>\$ 9,082,253</u></u>	<u><u>\$ 13,286,837</u></u>

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

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

For the years ended June 30,

	<u>2024</u>	<u>2023</u>
<u>Operating revenue and other support</u>		
Public school districts		
Regular education	\$ 3,717,852	\$ 2,715,024
Special education	343,329	225,102
	<u>4,061,181</u>	<u>2,940,126</u>
Grants, contracts and other support		
Federal and state grants	514,940	1,245,836
Contributions and private grants	20,476	300,036
	<u>4,596,597</u>	<u>4,485,998</u>
 <u>Expenses</u>		
Program expenses		
Regular education	4,155,629	3,454,510
Food service	432,337	292,947
Special education	314,644	262,662
	<u>4,902,610</u>	<u>4,010,119</u>
Supporting services		
Management and general	1,125,220	1,120,712
	<u>6,027,830</u>	<u>5,130,831</u>
Change in net assets	(1,431,233)	(644,833)
Net assets without donor restrictions - beginning of year	<u>(404,989)</u>	<u>239,844</u>
Net assets without donor restrictions - end of year	<u><u>\$ (1,836,222)</u></u>	<u><u>\$ (404,989)</u></u>

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

THE ACADEMY CHARTER SCHOOL 2
Statement of Functional Expenses
For the year ended June 30, 2024

	Number of Positions	Program expenses				Supporting services	Total program and supporting services
		Regular Education	Special Education	Food Service	Total Programs	Management & General	
Salaries							
Administrative staff personnel	3	\$ 87,318	\$ -	\$ -	\$ 87,318	\$ 158,776	\$ 246,094
Instructional personnel	28	1,673,348	147,600	-	1,820,948	7,720	1,828,668
Noninstructional personnel	7	12,762	-	41,514	54,276	255,402	309,678
Total salaries	38	1,773,428	147,600	41,514	1,962,542	421,898	2,384,440
Payroll taxes and fringe benefits		346,604	28,081	7,899	382,584	80,267	462,851
Retirement benefits		47,457	3,950	-	51,407	6,631	58,038
Financial and administrative		17,161	-	-	17,161	151,008	168,169
Marketing and recruitment		89,997	-	-	89,997	-	89,997
Insurance		54,815	4,562	1,283	60,660	13,041	73,701
Legal, professional and management fees		176,237	-	-	176,237	253,030	429,267
Repairs and maintenance		233,181	19,186	56,052	308,419	5,397	313,816
Equipment leasing and maintenance		109,715	8,652	11,146	129,513	19,299	148,812
Staff development		49,382	4,072	-	53,454	464	53,918
Food costs		-	-	291,708	291,708	8,828	300,536
Student services and activities		373,260	30,962	-	404,222	-	404,222
Supplies and instructional materials		112,415	8,800	-	121,215	1,575	122,790
Telephone and internet services		9,226	768	216	10,210	2,195	12,405
Occupancy		70,918	6,542	6,132	83,592	14,467	98,059
Other expenses		51,758	-	-	51,758	-	51,758
Interest expense - facilities loan		3,992	-	-	3,992	-	3,992
Interest expense - bond		317,216	26,402	9,337	352,955	75,467	428,422
Depreciation		318,867	25,067	7,050	350,984	71,653	422,637
Total operating expenses		2,382,201	167,044	390,823	2,940,068	703,322	3,643,390
Total expenses		\$ 4,155,629	\$ 314,644	\$ 432,337	\$ 4,902,610	\$ 1,125,220	\$ 6,027,830

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

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

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

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

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

For the years ended June 30,

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (1,431,233)	\$ (644,833)
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities		
Depreciation	422,637	233,867
CSGF loan conversion to grant	-	(300,000)
Changes in operating assets and liabilities		
Accounts receivable	(44,692)	(451,898)
Grants receivable - government agencies	362,432	(486,780)
Due from affiliate (FOTA)	(310,761)	-
Prepaid expenses	15,150	(15,150)
Reimbursement for New School Facility	4,616,368	(4,616,368)
Security and other deposits	19,197	(22,883)
Accounts payable and accrued expenses	(7,845)	140,039
Accrued salaries and other payroll-related expenses	147,400	477,648
Accrued bond interest	164,027	-
Due to affiliate (TACS)	(9,298,720)	8,642,026
Net cash (used in)/provided by operating activities	<u>(5,346,040)</u>	<u>2,955,668</u>
Cash flows from investing activities		
Acquisition of property and equipment	(206,724)	(2,658,448)
Net cash used in investing activities	<u>(206,724)</u>	<u>(2,658,448)</u>
Cash flows from financing activities		
Proceeds from bonds issuance	7,179,963	-
Payments on mortgage	(958,176)	(307,112)
Net cash provided by/(used in) financing activities	<u>6,221,787</u>	<u>(307,112)</u>
Net increase/(decrease) in cash	669,023	(9,892)
Cash - beginning of year	-	9,892
Cash - end of year	<u>\$ 669,023</u>	<u>\$ -</u>
Supplemental cash flow disclosures		
Interest paid	<u>\$ 268,387</u>	<u>\$ 56,290</u>

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

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2024 and 2023

Note 1 Organizations

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

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

Affiliated organizations.

The Academy Charter School (“TACS”), a 501(c)(3), a New York tax-exempt organization, is a public charter school located in Hempstead and Uniondale, New York.

Friends of The Academy, Inc. (“FOTA”) is a New York not-for-profit organization incorporated on February 24, 2015, which is a 501(c)(3) tax exempt entity.

TACS, TACS2 and FOTA are guarantors on outstanding bonds which were issued by TACS and FOTA. The proceeds from these bonds were used to construct and refinance facilities owned by TACS and TACS2. As a result of being co-obligors on the outstanding bonds, in addition to issuing separate standalone financial statements for each of those entities, the financial statements were also combined for financial reporting purposes.

Note 2 Summary of significant accounting policies

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

Concentrations of credit risk. Financial instruments, which potentially subject TACS2 to concentrations of credit risk include cash and accounts receivable. TACS2 maintains its cash in bank deposit accounts which, at times, may exceed the current insured amount of \$250,000 under the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2024, TACS2’s cash balance exceeded the current amount insured under FDIC. TACS2 has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2024 and 2023

Note 2 Summary of significant accounting policies – (continued)

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

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

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

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

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

Grants receivable. Grants receivable are recorded at net realizable value. The allowance for doubtful accounts is TACS2's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. There was no allowance reported for the years ended June 30, 2024 and 2023.

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

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

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2024 and 2023

Note 2 Summary of significant accounting policies – (continued)

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

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

Expense	Method of allocation
Payroll and related benefits and taxes	Direct allocation; then time and effort
Professional fees	Direct allocation; then time and effort
Staff development	Direct allocation; then time and effort

Advertising. Advertising costs are expensed as incurred.

Income taxes. TACS2 is exempt from income taxes under 501(c)(3) of the Internal Revenue Code (the Code). TACS2 has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdictions where it operates. TACS2 does not anticipate any significant uncertain tax positions that would require recognition in the financial statements. Periods ending June 30, 2021 and subsequent remain subject to examination by the taxing authorities.

Recently adopted accounting pronouncements. On July 1, 2023, TACS2 adopted Financial Accounting Standards Board (“FASB”) ASU 2016-13, *Financial Instruments – Credit Losses* (“Topic 326”). Financial assets, which potentially subject TACS2 to credit losses, consist primarily of accounts receivable. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions.

TACS2 collects per pupil revenue from various districts from which the students are residents of and attending the school. TACS2 has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages for different aging categories (61–90 days past due, and more than 90 days past due). Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at June 30, 2024 and 2023 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information.

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Notes to the Financial Statements

June 30, 2024 and 2023

Note 3 Liquidity and availability

At June 30, 2024, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$	669,023
Accounts receivable		496,590
Grants receivable - government agencies		<u>314,681</u>
Total financial assets available for general expenditures within one year	\$	<u><u>1,480,294</u></u>

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

Note 4 Property and equipment

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

	<u>2024</u>	<u>2023</u>
Land	\$ 526,000	\$ 526,000
Buildings - Early Learning Facility	6,549,759	6,549,759
Furniture and fixtures	202,109	192,804
Machinery and equipment	34,280	34,280
Educational equipment	8,424	-
Computer and office equipment	<u>623,445</u>	<u>434,450</u>
Total property and equipment	7,944,017	7,737,293
Less: accumulated depreciation	<u>(656,504)</u>	<u>(233,867)</u>
Property and equipment, net	<u><u>\$ 7,287,513</u></u>	<u><u>\$ 7,503,426</u></u>

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2024 and 2023

Note 5 Due to affiliate

TACS assisted TACS2 with startup, organizational, and construction costs. As of June 30, 2024 and 2023, the total amount due to TACS was \$2,505,243, and \$11,803,963, respectively. \$2,505,243 and \$955,476 of the outstanding amount relates to operating costs for the years ended June 30, 2024 and 2023, respectively. Additionally for 2023, the amount of \$6,246,157 relates to the acquisition and renovation of a former hardware store known as the “Early Learning Facility”, and the remaining \$4,602,330 relate to the “New School Facility”. The amounts related to the “New School Facility” were repaid with the proceeds from the 2023 bonds series. The advances to TACS2 bear no interest and are subject to repayment based on approval by both boards.

TACS2 advanced funds to FOTA to assist with startup, organizational, and construction costs. As of June 30, 2024, the total amount due to TACS2 was \$310,761 which consisted primarily of operational and construction costs paid by TACS2 on behalf of FOTA.

Note 6 Mortgage and loan payable

Mortgage and loan payable and the related outstanding balances at June 30, 2024 and 2023 are as follows:

	2024	2023
A. On May 21, 2022, TACS2 obtained a mortgage from the property seller in the amount of \$1,315,000 to finance a portion of the initial purchase of the Early Learning Facility. The mortgage bears interest of 5% per annum and requires monthly payments of \$30,284, including principal and interest, through the maturity date of April 21, 2026. On July 27, 2023, the mortgage was paid off from the proceeds of the 2023 bonds issuance. Please refer to Note 7.	\$ -	\$ 958,176
B. On June 29, 2022, TACS2 obtained a convertible loan from Charter School Growth Fund (“CSGF”) in the amount of \$600,000 for the financial management and financing of the Wyandanch facilities development. The loan is convertible to a grant upon meeting specific requirements and milestones as agreed with the lender. No payments of principal or interest are required until maturity. The loan bears interest of 1% per annum and has a maturity date of June 30, 2027. On June 23, 2023, \$300,000 of the loan amount converted into a grant.	<u>300,000</u>	<u>300,000</u>
Total mortgage and loan payable	<u>\$ 300,000</u>	<u>\$ 1,258,176</u>

Interest incurred on the mortgage and loan payable during the years ended June 30, 2024 and 2023 amounted to \$3,992 and \$56,290, respectively.

THE ACADEMY CHARTER SCHOOL 2

Notes to the Financial Statements

June 30, 2024 and 2023

Note 7 Bonds payable

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

Of the total bond proceeds of \$40,055,000, TACS2 was allocated \$7,179,963 in order to refinance the loans obtained for the Early Learning Facility. \$6,246,157 of the proceeds were used to repay TACS for the funds loaned to TACS2 for the costs of acquisition and renovation of an approximately 9,800 square foot 1-story building for the Early Learning Facility. \$933,806 was used to pay off the outstanding mortgage balance on the Early Learning Facility. The remaining proceeds from the \$40,055,000 bond issuance allocated to Friends of the Academy, Inc. were used for the acquisition of land, equipment, furnishings, and the construction costs of the New School Facility. Prior to closing on the bonds, TACS2 disbursed \$4,602,330 to attorneys, architects, engineers, and the contractor from funds which were borrowed from TACS. At closing, these costs were reimbursed to TACS2, who subsequently repaid TACS. As of June 30, 2024, the outstanding bond principal is \$40,055,000, of which \$7,179,963 is reported on TACS2 financial statements and the remaining \$32,875,037 is reported on FOTA financial statements.

Future minimum principal payments for the next five years and in the aggregate thereafter are broken down between the obligors as follows:

<u>June 30,</u>	<u>TACS2</u>	<u>Friends of the Academy, Inc.</u>	<u>Total</u>
2025	\$ -	\$ -	\$ -
2026	-	-	-
2027	63,635	291,365	355,000
2028	113,825	521,175	635,000
2029	120,996	554,004	675,000
Thereafter	<u>6,881,507</u>	<u>31,508,493</u>	<u>38,390,000</u>
Total bonds payable	<u>\$ 7,179,963</u>	<u>\$ 32,875,037</u>	<u>\$ 40,055,000</u>

TACS, TACS2 and FOTA are co-obligors on all outstanding bond series issued by TACS and FOTA.

Note 8 Concentrations of revenue

For the years ended June 30, 2024 and 2023, TACS2 received approximately 60% and 61% of its operating revenue, respectively, from per pupil funding, primarily from one school district.

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Notes to the Financial Statements

June 30, 2024 and 2023

Note 9 Contingencies

TACS2 participates in several federal and state programs. These programs require that TACS2 comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, in the opinion of the management, the ultimate outcome of such audits would not have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Note 10 Retirement plan

Effective January 1, 2022, The Academy Charter School 401(k) Plan (the “Plan”) was amended to allow TACS2 to become a participating Plan sponsor. As a result of this amendment, TACS2 employees are eligible to participate in the Plan immediately upon employment. Participation in the Plan is voluntary. Employees can make contributions (pre-tax and Roth), up to IRS limits for each calendar year. TACS2 matches the employees’ contribution up to 4% of the employees’ annual compensation. For the years ended June 30, 2024 and 2023, the matching contributions from TACS2 amounted to \$58,038 and \$40,798, respectively. The Plan assets are held in a separate trust and are not included in the accompanying financial statements. All Plan assets are held for the exclusive benefit of the Plan’s participants and beneficiaries.

Note 11 Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through October 31, 2024, which is the date the financial statements were available to be issued and has concluded that, except for the following, no subsequent events occurred that require an adjustment to or disclosure in the financial statements.

Effective September 3, 2024, TACS2 successfully fulfilled the conditions outlined in its loan agreement with CSGF, allowing the outstanding loan balance of \$300,000 to be converted into a grant.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Academy Charter School 2 (“TACS2”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TACS2’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TACS2’s internal control. Accordingly, we do not express an opinion on the effectiveness of TACS2’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether TACS2’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

NChing LLP

New York, New York
October 31, 2024