

# **Zeta Charter Schools - New York City**

Financial Statements and  
Uniform Guidance Schedules  
Together With Independent Auditors' Reports

June 30, 2024 and 2023

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Uniform Guidance Schedules  
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## **Independent Auditors' Report**

**Board of Trustees**  
**Zeta Charter Schools - New York City**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Zeta Charter Schools - New York City (the "School") (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 then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023, and the changes in its net assets and 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2024 on pages 19 through 23 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 24, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and 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 as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 22, 2024

## Zeta Charter Schools - New York City

### Statements of Financial Position

	June 30,	
	2024	2023
<b>ASSETS</b>		
Current Assets		
Cash	\$ 5,421,628	\$ 11,099,972
Investments	12,607,751	-
Grants and contracts receivable	3,828,911	2,499,313
Prepaid expenses	503,927	158,380
Total Current Assets	22,362,217	13,757,665
Finance right-of-use assets, net	189,582,322	194,371,880
Operating right-of-use assets, net	69,572,632	18,315,427
Property and equipment, net	2,750,776	2,243,274
Restricted cash	300,395	300,336
	<b>\$ 284,568,342</b>	<b>\$ 228,988,582</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,469,244	\$ 818,821
Accrued payroll and payroll taxes	1,487,498	1,069,041
Refundable advances	200,583	169,561
Operating lease liabilities, current portion	4,935,985	295,960
Finance lease liabilities, current portion	2,115,532	2,062,388
Due to related party	665,407	526,002
Total Current Liabilities	10,874,249	4,941,773
Operating lease liabilities	63,625,291	18,046,854
Finance lease liabilities	192,641,452	194,756,983
Total Liabilities	267,140,992	217,745,610
Net assets, without donor restrictions	17,427,350	11,242,972
	<b>\$ 284,568,342</b>	<b>\$ 228,988,582</b>

See notes to financial statements

## Zeta Charter Schools - New York City

### Statements of Activities

	Year Ended June 30,	
	2024	2023
<b>OPERATING REVENUE</b>		
State and Local Per Pupil Operating Revenue		
General education	\$ 42,493,435	\$ 30,858,177
Special education	4,224,220	3,255,813
Universal pre-kindergarten	6,659,053	4,807,624
Facilities	12,639,486	7,605,045
Federal grants	6,478,870	5,088,327
State grants	191,395	136,713
Total Operating Revenue	72,686,459	51,751,699
<b>EXPENSES</b>		
Program Services		
Regular education	54,407,994	39,337,488
Special education	8,239,285	6,321,359
Total Program Services	62,647,279	45,658,847
Supporting Services		
Management and general	4,477,559	3,720,282
Total Expenses	67,124,838	49,379,129
Surplus from Operations	5,561,621	2,372,570
<b>SUPPORT, OTHER REVENUE AND LOSSES</b>		
Contributions	25,000	25
Donated services	87,322	58,470
Investment income	608,479	-
Other income	179,858	245,026
Loss on disposal of property and equipment	(277,902)	-
Total Support, Other Revenue and Losses	622,757	303,521
Change in Net Assets	6,184,378	2,676,091
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>		
Beginning of year	11,242,972	8,566,881
End of year	\$ 17,427,350	\$ 11,242,972

See notes to financial statements

## Zeta Charter Schools - New York City

### Statement of Functional Expenses Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	67	\$ 3,773,176	\$ 557,655	\$ 4,330,831	\$ 1,443,611	\$ 5,774,442
Instructional personnel	232	14,379,663	2,161,758	16,541,421	-	16,541,421
Non-instructional personnel	4	-	-	-	31,691	31,691
Total Personnel Services Costs	<u>303</u>	18,152,839	2,719,413	20,872,252	1,475,302	22,347,554
Fringe benefits and payroll taxes		3,716,159	561,523	4,277,682	332,567	4,610,249
Retirement		420,228	62,628	482,856	37,509	520,365
Management company fees		6,716,784	1,009,548	7,726,332	601,287	8,327,619
Legal services		-	-	-	101,398	101,398
Accounting/audit services		-	-	-	112,451	112,451
Other purchased/professional/consulting services		309,390	45,842	355,232	47,080	402,312
Building and land rent/lease		11,265,835	1,666,906	12,932,741	1,006,128	13,938,869
Repairs and maintenance		424,485	55,856	480,341	34,401	514,742
Insurance		268,068	38,473	306,541	21,861	328,402
Supplies/materials		1,599,740	344,390	1,944,130	37	1,944,167
Equipment/furnishings		62,713	8,964	71,677	5,593	77,270
Staff development		926,075	140,022	1,066,097	82,625	1,148,722
Marketing and outreach		1,453,893	209,192	1,663,085	27,008	1,690,093
Technology		1,201,254	176,135	1,377,389	75,557	1,452,946
Food service		2,013,843	317,894	2,331,737	-	2,331,737
Student services		755,702	118,019	873,721	-	873,721
Office expense		440,336	65,479	505,815	87,490	593,305
Depreciation and amortization		4,570,371	684,989	5,255,360	417,060	5,672,420
Other		110,279	14,012	124,291	12,205	136,496
 Total Expenses		<u>\$ 54,407,994</u>	<u>\$ 8,239,285</u>	<u>\$ 62,647,279</u>	<u>\$ 4,477,559</u>	<u>\$ 67,124,838</u>

See notes to financial statements

**Zeta Charter Schools - New York City**

Statement of Functional Expenses  
Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	40	\$ 2,547,578	\$ 407,141	\$ 2,954,719	\$ 984,906	\$ 3,939,625
Instructional personnel	175	10,779,155	1,699,923	12,479,078	-	12,479,078
Non-instructional personnel	10	-	-	-	129,226	129,226
Total Personnel Services Costs	<u>225</u>	<u>13,326,733</u>	<u>2,107,064</u>	<u>15,433,797</u>	<u>1,114,132</u>	<u>16,547,929</u>
Fringe benefits and payroll taxes		2,501,154	395,382	2,896,536	201,213	3,097,749
Retirement		290,523	45,608	336,131	24,002	360,133
Management company fees		5,029,006	795,691	5,824,697	401,282	6,225,979
Legal services		-	-	-	58,470	58,470
Accounting/audit services		-	-	-	302,780	302,780
Other purchased/professional/consulting services		345,801	72,333	418,134	29,285	447,419
Building and land rent/lease		6,404,161	1,020,167	7,424,328	476,116	7,900,444
Repairs and maintenance		-	-	-	312,425	312,425
Insurance		310,175	48,244	358,419	-	358,419
Utilities		-	-	-	126,725	126,725
Supplies/materials		1,527,314	315,925	1,843,239	7	1,843,246
Equipment/furnishings		122,406	19,269	141,675	9,936	151,611
Staff development		684,671	108,722	793,393	54,546	847,939
Marketing and outreach		1,258,982	197,614	1,456,596	27,523	1,484,119
Technology		890,001	139,085	1,029,086	48,696	1,077,782
Food service		1,199,297	192,965	1,392,262	-	1,392,262
Student services		1,092,710	173,748	1,266,458	-	1,266,458
Office expense		479,650	77,029	556,679	188,733	745,412
Depreciation and amortization		3,775,730	599,577	4,375,307	288,510	4,663,817
Other		99,174	12,936	112,110	55,901	168,011
 Total Expenses		<u>\$ 39,337,488</u>	<u>\$ 6,321,359</u>	<u>\$ 45,658,847</u>	<u>\$ 3,720,282</u>	<u>\$ 49,379,129</u>

See notes to financial statements

## Zeta Charter Schools - New York City

### Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,184,378	\$ 2,676,091
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	882,862	1,061,976
Loss on disposal of property and equipment	277,902	-
Amortization of right of use assets - operating leases	2,901,309	1,315,931
Amortization of right of use assets - finance leases	4,789,558	3,601,841
Changes in operating assets and liabilities		
Grants and contracts receivable	(1,329,598)	234,440
Prepaid expenses	(345,547)	58,072
Accounts payable and accrued expenses	650,423	(388,135)
Accrued payroll and payroll taxes	418,457	138,814
Refundable advances	31,022	(75,009)
Due to related party	139,405	(886,918)
Operating lease liabilities	<u>(3,940,052)</u>	<u>(1,695,357)</u>
Net Cash from Operating Activities	<u>10,660,119</u>	<u>6,041,746</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,668,266)	(821,382)
Purchases of investments	(40,000,000)	-
Proceeds from sale of investments	<u>27,392,249</u>	<u>-</u>
Net Cash from Investing Activities	<u>(14,276,017)</u>	<u>(821,382)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loan payable	-	(227,083)
Principal payments on finance lease liabilities	<u>(2,062,387)</u>	<u>(1,551,622)</u>
Net Cash from Financing Activities	<u>(2,062,387)</u>	<u>(1,778,705)</u>
Net Change in Cash and Restricted Cash	(5,678,285)	3,441,659
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	<u>11,400,308</u>	<u>7,958,649</u>
End of year	<u>\$ 5,722,023</u>	<u>\$ 11,400,308</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 7,510,692	\$ 6,272,114
Operating ROU assets obtained in exchange for new lease liabilities	55,565,504	4,982,052
Finance ROU assets obtained in exchange for new lease liabilities	-	138,699,521

See notes to financial statements

## Zeta Charter Schools - New York City

Notes to Financial Statements  
June 30, 2024 and 2023

### 1. Organization and Tax Status

Zeta Charter Schools – New York City (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 2, 2018 to operate charter schools pursuant to Article 56 of the Education Law of the State of New York. The School's mission is to build and sustain high-performing schools that forge thriving communities of lifelong learners, problem solvers, and innovators. The School was granted a provisional charter on January 2, 2018 to operate Zeta Charter School – Inwood ("Inwood") and Zeta Charter School – South Bronx ("South Bronx"), valid for a term of five years and renewable upon expiration by the Board of Regents of The University of the State of New York (the "Board of Regents"). The charter was renewed in 2023 for an additional 5 year term and will expire on July 31, 2028. Classes for Inwood and South Bronx commenced in the fall of 2018. On June 6, 2019, the Board of Regents approved an amendment of the original charter to operate Zeta Charter School – Mount Eden ("Mount Eden") and Zeta Charter School – Tremont Park ("Tremont Park"). The School was granted a provisional charter on June 6, 2019 for Mount Eden and Tremont Park, valid for a term of five years and renewable upon expiration by the Board of Regents. The charter will expire on July 31, 2025. The School has submitted a renewal application requesting extension for this charter to July 31, 2030. Classes for Mount Eden and Tremont Park commenced in the fall of 2020. The School provided education to approximately 2,371 students in kindergarten through sixth grades during the 2023-2024 academic year.

Beginning in July 2020, the School was awarded four contracts with the New York City Department of Education ("NYCDOE") to operate four universal pre-kindergarten programs. The contracts for the Inwood, South Bronx, Mount Eden, and Tremont Park programs have been extended through June 30, 2025. The School provided education to approximately 363 students during the 2023-2024 academic year.

On July 17, 2024, the State University of New York Board of Trustees' Charter Schools Committee approved resolutions authorizing the establishment of Zeta Charter School – New York City 5, Zeta Charter School – New York City 7, and Zeta Charter School – New York City 8. The three new charter schools are expected to open in the fall of 2025.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## Zeta Charter Schools - New York City

Notes to Financial Statements  
June 30, 2024 and 2023

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Net Asset Presentation***

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

*Net assets without donor restrictions* - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

*Net assets with donor restrictions* – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2024 and 2023.

#### ***Fair Value Measurements***

The School follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investment Valuation***

Investments are measured at market value plus accrued interest.

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.

## Zeta Charter Schools - New York City

Notes to Financial Statements  
June 30, 2024 and 2023

### 2. Summary of Significant Accounting Policies (*continued*)

#### **Restricted Cash**

Under the provisions of its charter, the School established a reserve fund to cover debts in the event of the School's dissolution.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows at June 30:

	2024	2023
Cash	\$ 5,421,628	\$ 11,099,972
Restricted cash	300,395	300,336
	<u>\$ 5,722,023</u>	<u>\$ 11,400,308</u>

#### **Property and Equipment**

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and equipment	3 years
Furniture and fixtures	7 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2024 and 2023.

#### **Leases**

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating and finance leases are included in operating and finance right-of-use ("ROU") assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the School made the short-term lease election.

## Zeta Charter Schools - New York City

Notes to Financial Statements  
June 30, 2024 and 2023

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Leases (continued)***

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Finance and operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The finance and operating lease ROU assets include 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 School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets.

#### ***Refundable Advances***

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

#### ***Revenue and Support***

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as support with donor restrictions if they are received with donor stipulations. Donor restricted contributions and grants that are made to support the School's current period activities are recorded as revenue without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

#### ***Marketing and Outreach***

Marketing and outreach costs are expensed as incurred. Marketing and outreach expense for the years ended June 30, 2024 and 2023 was \$1,690,093 and \$1,484,119.

## **Zeta Charter Schools - New York City**

Notes to Financial Statements  
June 30, 2024 and 2023

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Measure of Operations***

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental sources that include contributions revenue, donated services, return on investments, loss on disposal of property and equipment, and other activities considered to be of a non-recurring nature.

#### ***Donated Services***

The School recognizes contributions of services if they create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the School, and are measurable.

During the years ended June 30, 2024 and June 30, 2023 the School received legal services totaling \$87,322 and \$58,470 at no charge. The value of these services meets the criteria for recognition in the financial statements and is recorded at fair value of \$87,322 and \$58,470 for the years ended June 30, 2024 and June 30, 2023. Fair value is estimated using market value of similar services available for purchase by the School. The legal services were used for management and general services, and the value of these services is included in legal services in the accompanying statements of activities and functional expenses. There were no donor-imposed restrictions associated with the donated services.

#### ***Functional Expense Allocation***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses, such as personnel services costs, fringe benefits and payroll taxes, and building and land rent/lease have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

#### ***Accounting for Uncertainty in Income Taxes***

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing authorities for years prior to June 30, 2021.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 22, 2024.

## Zeta Charter Schools - New York City

Notes to Financial Statements  
June 30, 2024 and 2023

### 3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance for doubtful accounts and has determined that such an allowance is not necessary.

### 4. Investments

The School's investments at June 30, 2024 consisted of a U.S. Treasury securities money market fund in the amount of \$12,607,751, categorized as level 1 in the fair value hierarchy.

### 5. Related Party Transactions (not disclosed elsewhere)

The School contracts with Zeta Charter Schools, Inc. (the "Network"), a Delaware nonprofit non-stock corporation, to serve as the School's charter management organization.

The School entered into an Academic and Business Service Agreement (the "Agreement") with the Network on June 22, 2018, to provide the School with educational management and operational services. The Agreement was amended and restated effective June 8, 2023 to automatically renew for four consecutive one-year periods after the initial one-year term ended on June 30, 2024, with an option to extend the Agreement for five additional years. Pursuant to the Agreement, the Network is to select and implement educational programs, coaching and professional development to leadership, manage the School's business administration and support the Board of Trustees in all governance issues.

As compensation to the Network for these services, starting July 1, 2018, the School paid an amount equal to 15% of certain revenue specified in the Agreement. For the years ended June 30, 2024 and 2023, the School incurred \$8,327,619 and \$6,225,979 in management fees to the Network.

For operating efficiency and purchasing power, the School shares certain expenses with the Network. The School also reimburses the Network for personnel service costs, fringe benefits and payroll taxes. During the years ended June 30, 2024 and 2023, the School incurred \$2,211,882 and \$1,695,627 of net operating expenses, excluding payroll and payroll related expenses, paid by the Network on behalf of the School.

At June 30, 2024 and 2023, net balance due to the Network was \$665,407 and \$526,002.

On July 23, 2018, the School entered into two three-year operating subleases for school facilities with the Network (see Note 11). The School has the option to extend the subleases for an additional two years in the event that the Network extends its lease for the same space. Lease payments commenced August 1, 2018 and the School extended the leases for an additional two years expiring on July 31, 2022 and July 31, 2023. The School moved into new space upon expiration of the leases.

## Zeta Charter Schools - New York City

Notes to Financial Statements  
June 30, 2024 and 2023

### 5. Related Party Transactions (not disclosed elsewhere) (continued)

On July 20, 2021, the School entered into a 36-year sublease for school facilities with the Network and accounts for the sublease as a finance lease (see Note 11). The School has the option to extend the sublease for an additional 13 years in the event that the Network extends its lease for the same space. Lease payments commenced July 1, 2021 and expire on July 30, 2057.

On August 25, 2021, the School entered into a 48-year finance sublease for school facilities with the Network (see Note 11). Lease payments commenced July 1, 2021 and expire on July 31, 2069.

On July 1, 2022, the School entered into a 41-year finance sublease for school facilities with the Network (see Note 11). Lease payments commenced July 1, 2022 and expire on July 31, 2063.

On June 8, 2023, the School entered into two 10-year subleases for school facilities with the Network (see Note 11). Lease payments commenced in September 2023 and expire on June 30, 2033.

### 6. Property and Equipment

Property and equipment consists of the following at June 30:

	2024	2023
Furniture and fixtures	\$ 1,188,277	\$ 1,151,955
Computers and equipment	4,423,499	2,827,062
Leasehold improvements	124,355	881,778
	<u>5,736,131</u>	<u>4,860,795</u>
Accumulated depreciation and amortization	<u>(2,985,355)</u>	<u>(2,617,521)</u>
	<u>\$ 2,750,776</u>	<u>\$ 2,243,274</u>

Assets with a cost basis of \$792,930 and accumulated depreciation basis of \$515,028 were disposed of during the year ended June 30, 2024. There were no assets disposals for year ended June 30, 2023. Loss on disposal of property and equipment was \$277,902 and \$0 for the years ended June 30, 2024 and 2023.

### 7. Liquidity and Availability of Financial Assets

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, are comprised of the following at June 30:

	2024	2023
Cash	\$ 5,421,628	\$ 11,099,972
Investments	12,607,751	-
Grants and contracts receivable	<u>3,828,911</u>	<u>2,499,313</u>
	<u>\$ 21,858,290</u>	<u>\$ 13,599,285</u>

## Zeta Charter Schools - New York City

Notes to Financial Statements  
June 30, 2024 and 2023

### 7. Liquidity and Availability of Financial Assets *(continued)*

As part of the School's liquidity management plan, the status of grants and contracts receivable are monitored regularly and any excess cash is invested in highly liquid instruments. In the event of unanticipated liquidity need, the School could draw down upon investments to cover any temporary shortfall in funding. The School will continue to rely on funding received from the NYCDOE to cover its future operating costs (see Note 10).

### 8. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, it is at the School's discretion to determine the employee match each year. Employer match for years ended June 30, 2024 and 2023 was \$513,814 and \$360,204.

### 9. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of grants and contracts receivable, and cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. Investments are maintained at a broker which insures the balance up to \$500,000 with Securities Investor Protection Corporation ("SIPC"). The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2024 and 2023, approximately \$5,369,000 and \$11,016,000 of cash was maintained with an institution in excess of FDIC limits. At June 30, 2024 and 2023, approximately \$12,108,000 and \$0 of investments was maintained with an institution in excess of SPIC limits. Management regularly monitors the status of grants and contracts receivable and does not believe that a significant credit and market risk presently exists with regard to these receivables.

### 10. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the NYCDOE. For the years ended June 30, 2024 and 2023, the School received approximately 89% and 88% of its total revenue and support from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

### 11. Commitments

On July 20, 2021, the School entered into a 36-year finance sublease for school facilities with the Network (see Note 5) for the School's Mount Eden charter. The School has the option to extend the sublease for an additional 13 years in the event that the Network extends its lease for the same space. Lease payments commenced July 1, 2021 and expire on June 30, 2057.

On August 25, 2021, the School entered into a 48-year finance sublease for school facilities with the Network (see Note 5) for the School's Tremont Park charter. Lease payments commenced July 1, 2021 and expire on July 31, 2069.

## Zeta Charter Schools - New York City

Notes to Financial Statements  
June 30, 2024 and 2023

### 11. Commitments *(continued)*

On July 1, 2022, the School entered into a 41-year finance sublease for school facilities with the Network (see Note 5) for the School's South Bronx charter. Lease payments commenced July 1, 2022 and expire on July 31, 2063.

On July 23, 2018, the School entered into two three-year operating subleases for school facilities with the Network (see Note 5). The School has the option to extend the subleases for an additional two years in the event that the Network extends its lease for the same space. Lease payments commenced August 1, 2018 and the School extended the leases for an additional two years expiring on July 31, 2022 and July 31, 2023. The School moved into new space upon expiration of the leases.

On June 8, 2023, the School entered into two 10-year subleases for school facilities with the Network (see Note 5). for the school's Mount Eden and Inwood charters. Lease payments commenced in September 2023 and expire on June 30, 2033.

ROU assets are as follows for the year ended June 30, 2024:

	<u>Finance</u>	<u>Operating</u>
ROU assets	\$ 197,973,721	\$ 73,789,872
Less: accumulated amortization	<u>(8,391,399)</u>	<u>(4,217,240)</u>
	<u>\$ 189,582,322</u>	<u>\$ 69,572,632</u>

Weighted average remaining lease term (years)

Finance leases	39.98
Operating leases	18.45

Weighted average discount rate

Finance leases	3.85%
Operating leases	3.83%

ROU assets are as follows for the year ended June 30, 2023:

	<u>Finance</u>	<u>Operating</u>
ROU assets	\$ 197,973,721	\$ 19,631,358
Less: accumulated amortization	<u>(3,601,841)</u>	<u>(1,315,931)</u>
	<u>\$ 194,371,880</u>	<u>\$ 18,315,427</u>

Weighted average remaining lease term (years)

Finance leases	40.97
Operating leases	45.50

Weighted average discount rate

Finance leases	3.85%
Operating leases	3.84%

## Zeta Charter Schools - New York City

Notes to Financial Statements  
June 30, 2024 and 2023

### 11. Commitments *(continued)*

Future minimum lease payments are as follows for years ending June 30:

	<u>Finance</u>	<u>Operating</u>
2025	\$ 9,573,076	\$ 7,466,920
2026	9,573,076	7,466,920
2027	9,573,076	7,466,920
2028	9,573,076	7,466,920
2029	9,573,076	7,466,920
Thereafter	<u>333,123,398</u>	<u>60,066,547</u>
Total minimum lease payments	380,988,778	97,401,147
Amounts representing interest	<u>(186,231,794)</u>	<u>(28,839,871)</u>
Present value of minimum lease payments	194,756,984	68,561,276
Current portion	<u>(2,115,532)</u>	<u>(4,935,985)</u>
Lease liabilities, less current portion	<u>\$ 192,641,452</u>	<u>\$ 63,625,291</u>

Components of lease cost are as follows for years ended June 30:

	<u>2024</u>	<u>2023</u>
Finance amortization cost	\$ 4,789,557	\$ 4,715,990
Finance interest cost	7,510,692	5,167,264
Operating lease cost	<u>6,428,178</u>	<u>1,605,228</u>
	<u>\$ 18,728,427</u>	<u>\$ 11,488,482</u>

Finance interest and operating lease costs are included in building and land rent/lease expense and finance amortization cost is included in depreciation and amortization within the accompanying statements of functional expenses. Cash paid for amounts included in the measurement of operating lease liabilities totaled \$7,466,920 and \$2,128,309 for the years ended June 30, 2024 and 2023.

### 12. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost 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.

\* \* \* \* \*

**Zeta Charter Schools - New York City**

Supplementary Information

June 30, 2024

**Zeta Charter Schools - New York City**

Schedule of Activities by School  
Year Ended June 30, 2024

	Inwood	South Bronx	Tremont Park	Mount Eden	Total
<b>OPERATING REVENUE</b>					
State and Local Per Pupil Operating Revenue					
General education	\$ 11,954,617	\$ 13,602,028	\$ 8,677,599	\$ 8,259,191	\$ 42,493,435
Special education	1,152,585	1,674,663	694,032	702,940	4,224,220
Universal pre-kindergarten	1,614,439	1,632,659	1,595,733	1,816,222	6,659,053
Facilities	3,512,482	4,064,190	2,582,628	2,480,186	12,639,486
Federal grants	1,889,919	2,221,477	1,106,881	1,260,593	6,478,870
State grants	58,259	68,543	32,493	32,100	191,395
Total Operating Revenue	<u>20,182,301</u>	<u>23,263,560</u>	<u>14,689,366</u>	<u>14,551,232</u>	<u>72,686,459</u>
<b>EXPENSES</b>					
Program Services					
Regular education	14,059,358	16,749,393	12,181,669	11,417,574	54,407,994
Special education	2,388,085	3,206,790	1,259,808	1,384,602	8,239,285
Total Program Services	16,447,443	19,956,183	13,441,477	12,802,176	62,647,279
Supporting Services					
Management and general	1,046,229	1,428,126	971,205	1,031,999	4,477,559
Total Expenses	<u>17,493,672</u>	<u>21,384,309</u>	<u>14,412,682</u>	<u>13,834,175</u>	<u>67,124,838</u>
Surplus from Operations	<u>2,688,629</u>	<u>1,879,251</u>	<u>276,684</u>	<u>717,057</u>	<u>5,561,621</u>
<b>SUPPORT, OTHER REVENUE AND LOSSES</b>					
Contributions	7,000	8,000	5,250	4,750	25,000
Donated services	15,781	39,121	7,232	25,188	87,322
Investment income	170,374	194,713	127,781	115,611	608,479
Other income	49,873	58,026	38,487	33,472	179,858
Loss on disposal of property and equipment	(277,902)	-	-	-	(277,902)
Total Support, Other Revenue and Losses	<u>(34,874)</u>	<u>299,860</u>	<u>178,750</u>	<u>179,021</u>	<u>622,757</u>
Change in Net Assets	2,653,755	2,179,111	455,434	896,078	6,184,378
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>					
Beginning of year	2,660,793	6,873,472	1,307,266	401,441	11,242,972
End of year	<u>\$ 5,314,548</u>	<u>\$ 9,052,583</u>	<u>\$ 1,762,700</u>	<u>\$ 1,297,519</u>	<u>\$ 17,427,350</u>

**Zeta Charter Schools - New York City**

Schedule of Functional Expenses - Inwood  
Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	17	\$ 984,647	\$ 164,699	\$ 1,149,346	\$ 383,115	\$ 1,532,461
Instructional personnel	67	4,175,868	698,484	4,874,352	-	4,874,352
Non-instructional personnel	1	-	-	-	2,484	2,484
Total Salaries and Staff	<u>85</u>	5,160,515	863,183	6,023,698	385,599	6,409,297
Fringe benefits and payroll taxes		1,077,130	180,168	1,257,298	89,033	1,346,331
Retirement		121,499	20,323	141,822	10,043	151,865
Management company fees		1,826,997	305,596	2,132,593	151,016	2,283,609
Legal services		-	-	-	16,571	16,571
Accounting/audit services		-	-	-	28,112	28,112
Other purchased/professional/consulting services		75,803	12,679	88,482	11,837	100,319
Building and land rent/lease		3,130,821	523,683	3,654,504	258,787	3,913,291
Repairs and maintenance		31,414	5,254	36,668	2,347	39,015
Insurance		66,091	11,055	77,146	4,938	82,084
Supplies/materials		460,450	113,440	573,890	9	573,899
Equipment/furnishings		22,812	3,816	26,628	1,885	28,513
Staff development		289,126	48,361	337,487	23,898	361,385
Marketing and outreach		362,878	60,697	423,575	6,084	429,659
Technology		302,587	50,613	353,200	16,843	370,043
Food service		597,989	100,024	698,013	-	698,013
Student services		221,565	37,060	258,625	-	258,625
Office expense		116,541	19,493	136,034	20,764	156,798
Depreciation and amortization		168,362	28,161	196,523	13,915	210,438
Other		26,778	4,479	31,257	4,548	35,805
 Total Expenses		<u>\$ 14,059,358</u>	<u>\$ 2,388,085</u>	<u>\$ 16,447,443</u>	<u>\$ 1,046,229</u>	<u>\$ 17,493,672</u>

See independent auditors' report

## Zeta Charter Schools - New York City

### Schedule of Functional Expenses - South Bronx Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	20	\$ 1,059,151	\$ 201,230	\$ 1,260,381	\$ 420,127	\$ 1,680,508
Instructional personnel	70	4,228,877	803,453	5,032,330	-	5,032,330
Non-instructional personnel	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	23,403	<u>23,403</u>
Total Salaries and Staff	<u>91</u>	5,288,028	1,004,683	6,292,711	443,530	6,736,241
Fringe benefits and payroll taxes		1,125,577	213,851	1,339,428	104,503	1,443,931
Retirement		118,045	22,428	140,473	10,960	151,433
Management company fees		2,067,871	392,879	2,460,750	191,990	2,652,740
Legal services		-	-	-	49,171	49,171
Accounting/audit services		-	-	-	28,113	28,113
Other purchased/professional/consulting services		92,713	17,615	110,328	12,141	122,469
Building and land rent/lease		3,112,027	591,261	3,703,288	288,934	3,992,222
Repairs and maintenance		112,484	21,371	133,855	9,435	143,290
Insurance		64,437	12,243	76,680	5,404	82,084
Supplies/materials		428,937	106,032	534,969	9	534,978
Equipment/furnishings		8,653	1,644	10,297	803	11,100
Staff development		267,655	50,852	318,507	24,850	343,357
Marketing and outreach		352,632	66,997	419,629	6,990	426,619
Technology		329,529	62,608	392,137	19,283	411,420
Food service		773,376	146,935	920,311	-	920,311
Student services		276,160	52,468	328,628	-	328,628
Office expense		126,087	23,955	150,042	27,057	177,099
Depreciation and amortization		2,194,729	416,982	2,611,711	203,768	2,815,479
Other		<u>10,453</u>	<u>1,986</u>	<u>12,439</u>	<u>1,185</u>	<u>13,624</u>
<b>Total Expenses</b>		<u>\$ 16,749,393</u>	<u>\$ 3,206,790</u>	<u>\$ 19,956,183</u>	<u>\$ 1,428,126</u>	<u>\$ 21,384,309</u>

See independent auditors' report

**Zeta Charter Schools - New York City**

Schedule of Functional Expenses - Tremont Park  
Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	14	\$ 820,637	\$ 83,435	\$ 904,072	\$ 301,358	\$ 1,205,430
Instructional personnel	48	2,982,923	303,278	3,286,201	-	3,286,201
Non-instructional personnel	1	-	-	-	390	390
Total Salaries and Staff	<u>63</u>	<u>3,803,560</u>	<u>386,713</u>	<u>4,190,273</u>	<u>301,748</u>	<u>4,492,021</u>
Fringe benefits and payroll taxes		734,430	74,671	809,101	62,424	871,525
Retirement		94,588	9,617	104,205	8,040	112,245
Management company fees		1,440,610	146,469	1,587,079	122,447	1,709,526
Legal services		-	-	-	8,850	8,850
Accounting/audit services		-	-	-	28,113	28,113
Other purchased/professional/consulting services		70,821	7,200	78,021	11,421	89,442
Building and land rent/lease		2,664,095	270,863	2,934,958	226,440	3,161,398
Repairs and maintenance		240,417	24,444	264,861	19,073	283,934
Insurance		69,504	7,067	76,571	5,513	82,084
Supplies/materials		287,389	50,498	337,887	9	337,896
Equipment/furnishings		12,588	1,280	13,868	1,070	14,938
Staff development		182,816	18,587	201,403	15,539	216,942
Marketing and outreach		371,089	37,729	408,818	6,411	415,229
Technology		280,537	28,523	309,060	17,658	326,718
Food service		321,586	32,696	354,282	-	354,282
Student services		128,669	13,082	141,751	-	141,751
Office expense		87,394	8,885	96,279	18,163	114,442
Depreciation and amortization		1,325,381	134,754	1,460,135	112,653	1,572,788
Other		<u>66,195</u>	<u>6,730</u>	<u>72,925</u>	<u>5,633</u>	<u>78,558</u>
 Total Expenses		<u>\$ 12,181,669</u>	<u>\$ 1,259,808</u>	<u>\$ 13,441,477</u>	<u>\$ 971,205</u>	<u>\$ 14,412,682</u>

See independent auditors' report

**Zeta Charter Schools - New York City**

Schedule of Functional Expenses - Mount Eden  
Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Total	Management and General	
Personnel Services Costs						
Administrative staff personnel	16	\$ 908,741	\$ 108,291	\$ 1,017,032	\$ 339,011	\$ 1,356,043
Instructional personnel	47	2,991,995	356,543	3,348,538	-	3,348,538
Non-instructional personnel	1	-	-	-	5,414	5,414
Total Salaries and Staff	<u>64</u>	<u>3,900,736</u>	<u>464,834</u>	<u>4,365,570</u>	<u>344,425</u>	<u>4,709,995</u>
Fringe benefits and payroll taxes		779,022	92,833	871,855	76,607	948,462
Retirement		86,096	10,260	96,356	8,466	104,822
Management company fees		1,381,306	164,604	1,545,910	135,834	1,681,744
Legal services		-	-	-	26,806	26,806
Accounting/audit services		-	-	-	28,113	28,113
Other purchased/professional/consulting services		70,053	8,348	78,401	11,681	90,082
Building and land rent/lease		2,358,892	281,099	2,639,991	231,967	2,871,958
Repairs and maintenance		40,170	4,787	44,957	3,546	48,503
Insurance		68,036	8,108	76,144	6,006	82,150
Supplies/materials		422,964	74,420	497,384	10	497,394
Equipment/furnishings		18,660	2,224	20,884	1,835	22,719
Staff development		186,478	22,222	208,700	18,338	227,038
Marketing and outreach		367,294	43,769	411,063	7,523	418,586
Technology		288,601	34,391	322,992	21,773	344,765
Food service		320,892	38,239	359,131	-	359,131
Student services		129,308	15,409	144,717	-	144,717
Office expense		110,314	13,146	123,460	21,506	144,966
Depreciation and amortization		881,899	105,092	986,991	86,724	1,073,715
Other		<u>6,853</u>	<u>817</u>	<u>7,670</u>	<u>839</u>	<u>8,509</u>
 Total Expenses		 <u>\$ 11,417,574</u>	 <u>\$ 1,384,602</u>	 <u>\$ 12,802,176</u>	 <u>\$ 1,031,999</u>	 <u>\$ 13,834,175</u>

See independent auditors' report

# **Zeta Charter Schools - New York City**

Uniform Guidance  
Schedules and Reports

June 30, 2024

## Zeta Charter Schools - New York City

### Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Direct Program:				
Charter Schools: Expanding Zeta's High-Quality Charter Schools	84.282M	not available	\$ -	\$ 1,379,854
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-24-5480	-	346,337
Title I Grants to Local Educational Agencies	84.010	0021-24-5485	-	569,454
Title I Grants to Local Educational Agencies	84.010	0021-24-5660	-	337,536
Title I Grants to Local Educational Agencies	84.010	0021-24-5665	-	338,756
			<u>-</u>	<u>1,592,083</u>
Supporting Effective Instruction State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-24-5480	-	34,935
Supporting Effective Instruction State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-24-5485	-	52,947
Supporting Effective Instruction State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-24-5660	-	31,455
Supporting Effective Instruction State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-24-5665	-	31,459
			<u>-</u>	<u>150,796</u>
Student Support and Academic Enrichment Program				
Student Support and Academic Enrichment Program	84.424	0204-24-5480	-	17,825
Student Support and Academic Enrichment Program	84.424	0204-24-5485	-	28,941
Student Support and Academic Enrichment Program	84.424	0204-24-5660	-	16,199
Student Support and Academic Enrichment Program	84.424	0204-24-5665	-	14,597
			<u>-</u>	<u>77,562</u>
English Language Acquisition State Grants				
English Language Acquisition State Grants	84.365	0293-24-5480	-	34,507
Special Education Cluster (IDEA)-Cluster				
Pass-Through New York State Education Department:				
COVID-19 - Special Education Grants to States	84.027	not available	-	29,938
Total U.S. Department of Education				
			<u>-</u>	<u>3,264,740</u>
U.S. Department of Agriculture				
Pass-Through New York State Education Department:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	not available	-	680,072
National School Lunch Program	10.555	not available	-	1,628,356
COVID-19 - Supply Chain Assistance Funds	10.555	not available	-	59,081
Total Child Nutrition Cluster			<u>-</u>	<u>2,367,509</u>
Total Expenditures of Federal Awards				
			<u>\$ -</u>	<u>\$ 5,632,249</u>

See independent auditors' report and notes to schedule of expenditures of federal award

## **Zeta Charter Schools - New York City**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024

### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Zeta Charter Schools – New York City (the "School"), under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **3. Indirect Cost Rate**

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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**

**Independent Auditors' Report**

**Board of Trustees  
Zeta Charter Schools - New York City**

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 Zeta Charter Schools – New York City (the “School”) (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 22, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 22, 2024



## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

### **Independent Auditors' Report**

**Board of Trustees  
Zeta Charter Schools - New York City**

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Zeta Charter Schools – New York City’s (the “School”) 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 each of the School’s major federal programs for the year ended June 30, 2024. The School’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

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

#### ***Responsibilities of Management for Compliance***

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

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***Auditors' Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

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

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

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

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 22, 2024

**Zeta Charter Schools - New York City**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024

**Section I - Summary of Auditors' Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. 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 the financial statements noted?

\_\_\_\_\_ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.282M

Charter Schools: Expanding Zeta's High-Quality Charter Schools

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

\$750,000

Auditee qualified as low-risk auditee?

X yes \_\_\_\_\_ no

**Section II – Financial Statement Findings**

During our audit, we noted no material findings for the year ended June 30, 2024.

**Section III – Federal Award Findings and Questioned Costs**

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

**Board of Trustees**  
**Zeta Charter Schools – New York City**

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Zeta Charter Schools – New York City (the “School”) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the School’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 22, 2024

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