

SUMMIT ACADEMY CHARTER SCHOOL

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2022

(With Comparative Totals for 2021)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	20
Schedule of Findings and Responses	22

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Summit Academy Charter School

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Summit Academy Charter School, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Summit Academy Charter School as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Summit Academy Charter School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited Summit Academy Charter School's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022 on our consideration of Summit Academy Charter 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Summit Academy Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 24, 2022

SUMMIT ACADEMY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals for 2021)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 2,510,596	\$ 2,992,384
Grants and other receivables	548,891	189,549
Prepaid expenses	<u>36,114</u>	<u>6,000</u>
TOTAL CURRENT ASSETS	3,095,601	3,187,933
<u>PROPERTY AND EQUIPMENT, net</u>	335,975	198,849
<u>CASH IN ESCROW</u>	<u>75,171</u>	<u>75,163</u>
TOTAL ASSETS	<u>\$ 3,506,747</u>	<u>\$ 3,461,945</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and other current liabilities	\$ 79,268	\$ 221,740
Accrued payroll	<u>205,573</u>	<u>180,727</u>
TOTAL CURRENT LIABILITIES	284,841	402,467
<u>NET ASSETS</u> - without donor restrictions	<u>3,221,906</u>	<u>3,059,478</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,506,747</u>	<u>\$ 3,461,945</u>

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

SUMMIT ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 4,162,475	\$ 4,882,338
Government grants	840,675	319,586
Contributions	253	34,210
Contributed rent	1,081,526	1,249,468
Paycheck Protection Program note payable forgiveness	-	745,675
Other income	<u>1,778</u>	<u>7</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	6,086,707	7,231,284
Expenses:		
Program services:		
Regular education	3,686,865	3,437,839
Special education	1,680,261	1,764,625
Management and general	544,861	577,765
Fundraising and special events	<u>12,292</u>	<u>11,245</u>
TOTAL OPERATING EXPENSES	<u>5,924,279</u>	<u>5,791,474</u>
CHANGE IN NET ASSETS	162,428	1,439,810
Net assets at beginning of year	<u>3,059,478</u>	<u>1,619,668</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,221,906</u>	<u>\$ 3,059,478</u>

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

SUMMIT ACADEMY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

(With Comparative Totals for 2021)

	Year Ended June 30,						2021	
	2022			2021				
	Program Services			Supporting Services				
Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total	
Salaries	\$ 1,831,098	\$ 923,031	\$ 2,754,129	\$ 271,932	\$ 9,464	\$ 281,396	\$ 3,035,525	\$ 2,679,226
Payroll taxes and employee benefits	400,032	201,651	601,683	59,408	2,068	61,476	663,159	689,466
Professional fees	152,037	57,242	209,279	107,683	18	107,701	316,980	686,716
Audit fees	-	-	-	22,000	-	22,000	22,000	22,600
Instructional supplies and materials	298,612	88,689	387,301	-	-	-	387,301	128,985
Office expense	33,652	13,868	47,520	2,322	-	2,322	49,842	41,188
Technology and communication	80,960	33,834	114,794	6,042	-	6,042	120,836	84,633
Insurance	39,671	16,579	56,250	2,961	-	2,961	59,211	44,660
Staff development	27,331	11,389	38,720	13,003	-	13,003	51,723	12,750
Marketing and staff/student recruiting	36,823	5,397	42,220	964	-	964	43,184	44,493
Postage, printing and copying	475	198	673	35	-	35	708	646
Student meals	181	61	242	-	-	-	242	2,066
Depreciation	59,426	24,834	84,260	4,435	-	4,435	88,695	57,318
Dues, fees and subscriptions	1,059	360	1,419	-	-	-	1,419	873
Repairs and maintenance	-	-	-	-	-	-	-	45,300
In-kind rent	724,623	302,827	1,027,450	54,076	-	54,076	1,081,526	1,249,468
Events	885	301	1,186	-	742	742	1,928	1,086
	<u>\$ 3,686,865</u>	<u>\$ 1,680,261</u>	<u>\$ 5,367,126</u>	<u>\$ 544,861</u>	<u>\$ 12,292</u>	<u>\$ 557,153</u>	<u>\$ 5,924,279</u>	<u>\$ 5,791,474</u>

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

SUMMIT ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 162,428	\$ 1,439,810
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation	88,695	57,318
Forgiveness of Paycheck Protection Program note payable	-	(745,675)
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(359,342)	(58,257)
Prepaid expenses	(30,114)	62,455
Accounts payable and other current liabilities	(142,472)	87,240
Accrued payroll	24,846	(48,117)
	<u> </u>	<u> </u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(255,959)	794,774
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(225,821)	(146,605)
	<u> </u>	<u> </u>
NET CASH USED FOR INVESTING ACTIVITIES	(225,821)	(146,605)
	<u> </u>	<u> </u>
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(481,780)	648,169
Cash and restricted cash at beginning of year	3,067,547	2,419,378
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 2,585,767</u>	<u>\$ 3,067,547</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 2,510,596	\$ 2,992,384
Cash in escrow	75,171	75,163
	<u> </u>	<u> </u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 2,585,767</u>	<u>\$ 3,067,547</u>
<u>NON-CASH OPERATING ACTIVITIES</u>		
Contributed rent	<u>\$ 1,081,526</u>	<u>\$ 1,249,468</u>

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

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(With Comparative Totals for 2021)

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

The Charter School

Summit Academy Charter School (the “Charter School”) is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On December 16, 2008, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years. On December 17, 2013, the Board of Regents of the University of the State of New York granted the Charter School a first renewal for a term up through and including June 30, 2017. On April 4, 2017, the Board of Regents of the University of the State of New York granted the Charter School a second renewal for a term up through and including June 30, 2019. On May 2, 2019, the Board of Regents of the University of the State of New York granted the Charter School a third renewal for a term up through and including June 30, 2024.

The Charter School’s mission is to bridge the gap between aspirations and realities by preparing 6th through 12th grade students to gain acceptance to, excel in and graduate from college by using three pillars of success: mastery of core subjects, character building, and community leadership. By engaging students with an academically rigorous, college-preparatory curriculum and supporting them in a community focused on high academic achievement and strong character building, the Charter School will prepare our young people to participate meaningfully in the greater economy and expand their choices and opportunities.

Basis of accounting

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Classification of net assets

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

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2022 or 2021.

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

Revenue recognition

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

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

Public school district revenue

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

	<u>June 30,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Grants and other receivables	\$ 12,491	\$ 370	\$ 58,612

Contributions

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

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

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

SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022
(With Comparative Totals for 2021)

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

Grant Revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. There were no amounts received prior to incurring qualifying expenditures, which would be reported as deferred revenue in the accompanying statement of financial position at June 30, 2022 and 2021. The Charter School received cost-reimbursement grants of approximately \$766,000 that have not been recognized at June 30, 2022, because qualifying expenditures have not yet been incurred. There were no cost-reimbursement grants that had not been recognized at June 30, 2021 because qualifying expenditures had not yet been incurred.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2022 or 2021.

Property and equipment

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

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The escrow is restricted to fund legal and other costs in the event of dissolution of the Charter School.

SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022
(With Comparative Totals for 2021)

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

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income. The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2019 through June 30, 2022 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received transportation services, food services, building/custodians/school safety services, metro cards, software, special education services and speech and occupational therapy classes for the students from the local district. The Charter School was unable to determine a value for these services.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$43,000 and \$44,000 for the years ended June 30, 2022 and 2021, respectively.

Use of estimates in the preparation of financial statements

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

Reclassifications

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

Comparatives for year ended June 30, 2021

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

Adoption of new accounting standard – gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kinds recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and is being applied on a retrospective basis. The Charter School adopted this standard during the year ended June 30, 2022. See Note E.

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 24, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

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

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2022 and 2021:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash	\$ 2,510,596	\$ 2,992,384
Grants and other receivables	<u>548,891</u>	<u>189,549</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 3,059,487</u>	<u>\$ 3,181,933</u>

NOTE C: NOTE PAYABLE

In response to the COVID-19 outbreak, in June 2020 the Charter School applied for and was approved by a bank for a loan of \$745,675 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 2 years and an interest rate of 1%. The loan had the potential for forgiveness provided certain requirements are met by the Charter School. The loan was funded on June 25, 2020 and was recorded as note payable on the accompanying statement of financial position at June 30, 2020. On May 5, 2021, the Small Business Administration approved the forgiveness of the loan and all accrued interest, which is reported on the accompanying statement of activities and changes in net assets as Paycheck Protection Program note payable forgiveness for the year ended June 30, 2021.

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE D: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Undesignated	\$ 2,885,931	\$ 2,860,629
Invested in property and equipment	<u>335,975</u>	<u>198,849</u>
	<u>\$ 3,221,906</u>	<u>\$ 3,059,478</u>

NOTE E: SCHOOL FACILITY – GIFT-IN-KIND

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has verbally committed space to the Charter School at no charge. The facilities and services provided by the New York City Department of Education to the Charter School are outlined in a Shared Facility Use Agreement. In valuing the contributed space in the school building, the Charter School estimated the fair value of \$1,081,526 and \$1,249,468 for the years ended June 30, 2022 and 2021, respectively, on the basis of financial information provided to the Charter School under the New York City Rental Assistance Program. There were no associated donor restrictions with the contributed facility.

See the table below for program utilization:

	<u>June 30,</u>	
<u>Program or Supporting Service</u>	<u>2022</u>	<u>2021</u>
Regular education	\$ 724,623	\$ 837,144
Special education	302,827	349,851
Management and general	<u>54,076</u>	<u>62,473</u>
	<u>\$ 1,081,526</u>	<u>\$ 1,249,468</u>

SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022
(With Comparative Totals for 2021)

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2022	2021
Furniture and fixtures	\$ 303,465	\$ 303,465
Computers and equipment	1,298,857	1,073,036
	1,602,322	1,376,501
Less accumulated depreciation	1,266,347	1,177,652
	\$ 335,975	\$ 198,849

NOTE G: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through April 2027. Total monthly payments at June 30, 2022 approximate \$2,300. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 22,968
2024	12,534
2025	5,100
2026	5,100
2027	3,825
	\$ 49,527

NOTE H: CONTINGENCY

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

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE I: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the “Plan”) for its employees. All employees of the Charter School are eligible to participate. Contributions made to the Plan are credited to each individual participant’s account maintained under a group annuity contract issued by American Funds. The Charter School matches employee contributions up to 5% of gross pay. The Charter School’s contribution does not become vested until its second year, when it becomes 50% vested and then is 100% vested after three years. The Charter School contributed approximately \$40,000 and \$56,000 to the Plan for the years ended June 30, 2022 and 2021, respectively.

NOTE J: RELATED PARTY TRANSACTIONS

Friends of Summit, Inc., a not-for-profit organization under Section 501(c)(3) of the Code, was established to provide support to social, cultural and educational alternative programs for inner city youth, in Brooklyn, New York, and to sponsor new and the growth of existing programs for youth in Red Hook and South Brooklyn. An officer of Friends of Summit, Inc. is also an officer of the Charter School. Friends of Summit, Inc. assisted with the establishment of the Charter School and in obtaining its charter. No material transactions occurred between Friends of Summit, Inc. and Summit Academy Charter School for the years ended June 30, 2022 and 2021.

NOTE K: CONCENTRATIONS

Approximately 98% of grants and other receivables were due from New York State at June 30, 2022. 100% of grants and other receivables were due from New York State at June 30, 2021.

Approximately 68% and 82% of total revenue, gains and support came from per-pupil funding provided by New York State during the years ended June 30, 2022 and 2021, respectively. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located. For the year ended June 30, 2022, approximately 14% of total operating revenue and support came from federal grants.

NOTE L: COMMITMENTS

Effective July 1, 2019, the Charter School entered into a contract with an organization to provide educational consulting and support to the Charter School in conjunction with its charter renewal process until either expiration of the Charter School’s charter agreement on June 30, 2024 or termination of the contract. The agreement calls for a monthly fee of 7.5% of total state and local public revenues based on actual student enrollment counts billed to the local school district. Management fees expense was approximately \$139,000 and \$490,000 for the years ended June 30, 2022 and 2021, respectively. A credit was offered to the Charter School during the year ended June 30, 2022 for amounts that were overbilled in prior years. Approximately \$4,200 and \$101,000 of management fee expense is included in accounts payable and other current liabilities on the statement of financial position at June 30, 2022 and 2021, respectively. Effective July 1, 2019, one board member is also an employee of the consulting organization.

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE M: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE N: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$475,028 and \$104,296 of revenue relative to ESSER grants during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022, the Charter School has approximately \$766,000 of ESSER grants available for expenditure through September 30, 2024.

SUMMIT ACADEMY CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Trustees
Summit Academy Charter School

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Summit Academy Charter School, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 24, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Summit Academy Charter School's internal control over financial reporting (internal control) to determine the 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 Summit Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Summit Academy Charter School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Summit Academy Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-001.

Summit Academy Charter School's Response to Finding

Summit Academy Charter School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Summit Academy Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 24, 2022

SUMMIT ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022

Finding 2022-001

Statement of condition

During our audit, we noted the Charter School did not adhere to the terms of their charter agreement as the School's enrollment fell below 85% of the projected enrollment for 2021-2022 academic year and written approval from NYCDOE was not obtained.

Criteria and effect of conditions

During our audit, we noted the Charter School's charter agreement requires the Charter School to enroll no less than 85% of the projected enrollment for a given academic year. We noted the Charter School's enrollment was 61% of the projected enrollment for the 2021-2022 academic year.

Recommendation

We recommend the Charter School obtain written approval from NYCDOE if enrollment falls below 85% of projected enrollment for a given academic year.

Management response

Summit Academy Charter School acknowledges the findings of MMB in the 2022 Independent Audit. The School recognizes that enrollment for the 2021 - 2022 school year did not meet the standard of 85% of the target enrollment as specified in the charter agreement. The facts are indisputable. However, the School wishes to ensure that the audit acknowledges the challenges that led to a decreased enrollment for the school year in question.

As is well known, COVID-19 upended classrooms and campuses across the country at the same time as the pandemic's devastating effects were being felt in our nation's economy and loss of life. In response, educators, staff, and school leaders at all educational levels and in all parts of the country have made extraordinary commitments and dedicated their talents, energy, and resources to address the needs of students and families in their communities. Parents, family members, and caregivers have done the same, supporting their students while responding to profound challenges in their own lives.

In light of the pandemic and the fears that families had about sending their scholars to school for the 2021 – 2022 school year, Summit Academy Charter School made every effort to adjust programming and make safety provisions for those who would attend the school for hybrid learning. Despite our efforts, several families chose to utilize the homeschool option while a greater number chose to leave the state and relocate to less populated cities across the country. We were able to attract new families to the institution based on the innovative virtual programs we were offering. However, because Summit is a family school, the loss of 2 families typically meant a decrease in 4-6 scholars.

Although we have returned to in-school instruction, we are still navigating the challenges that come from a worldwide pandemic. Summit Academy Charter School will continue to employ innovative ways to recruit scholars from all backgrounds including those with special needs and English language learners. We anticipate that enrollment will be impacted for the coming school year but we will continue to aggressively recruit scholars.

SUMMIT ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2022

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2021-001

Statement of condition

During our audit, we noted the Charter School did not adhere to the terms of their charter agreement as the School's enrollment fell below 85% of the projected enrollment for 2020-2021 academic year and written approval from NYCDOE was not obtained.

Criteria and effect of conditions

During our audit, we noted the Charter School's charter agreement requires the Charter School to enroll no less than 85% of the projected enrollment for a given academic year. We noted the Charter School's enrollment was 74% of the projected enrollment for the 2020-2021 academic year.

Recommendation

We recommend the Charter School obtain written approval from NYCDOE if enrollment falls below 85% of projected enrollment for a given academic year.

Management response

Summit Academy Charter School acknowledges the findings of MMB in the 2021 Independent Audit. The School recognizes that enrollment for the 2020-2021 school year did not meet the standard of 85% of the target enrollment as specified in the charter agreement. The facts are indisputable. However, the School wishes to ensure the audit acknowledges the challenges that led to a decreased enrollment for the School year in question.

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