

ROSALYN YALOW CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023

(With Comparative Totals for 2022)



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rosalyn Yalow Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rosalyn Yalow Charter School, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Rosalyn Yalow Charter School as of June 30, 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rosalyn Yalow Charter 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.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2023, Rosalyn Yalow Charter School adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Rosalyn Yalow 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 Rosalyn Yalow 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 Rosalyn Yalow 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 Financial Information

We have previously audited Rosalyn Yalow Charter School's June 30, 2022 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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 17, 2023 on our consideration of Rosalyn Yalow 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rosalyn Yalow Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 17, 2023

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

	<u>June 30,</u>	
<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 6,360,256	\$ 4,273,958
Grants and other receivables	300,195	788,114
Prepaid expenses	<u>90,048</u>	<u>85,188</u>
TOTAL CURRENT ASSETS	6,750,499	5,147,260
<u>PROPERTY AND EQUIPMENT, net</u>	4,390,010	4,705,422
<u>OTHER ASSETS</u>		
Deposits	427,787	427,787
Cash in escrow	100,000	100,048
Right-of-use asset	<u>28,377,108</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 40,045,404</u>	<u>\$ 10,380,517</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 123,039	\$ 296,464
Accrued payroll and benefits	540,068	502,815
Current portion of lease liability	1,703,793	-
Deferred revenue	<u>-</u>	<u>360,831</u>
TOTAL CURRENT LIABILITIES	2,366,900	1,160,110
<u>OTHER LIABILITIES</u>		
Long-term lease liability	26,927,481	-
Deferred lease liability	<u>-</u>	<u>127,083</u>
	<u>26,927,481</u>	<u>127,083</u>
TOTAL LIABILITIES	<u>29,294,381</u>	<u>1,287,193</u>
<u>NET ASSETS</u>		
Without donor restrictions	10,749,023	9,093,324
With donor restrictions	<u>2,000</u>	<u>-</u>
TOTAL NET ASSETS	<u>10,751,023</u>	<u>9,093,324</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 40,045,404</u>	<u>\$ 10,380,517</u>

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Year ended June 30, 2023			Year ended June 30, 2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenue and support:				
State and local per pupil operating revenue	\$ 8,730,220	\$ -	\$ 8,730,220	\$ 8,815,249
NYC DOE Rental Assistance	2,340,482	-	2,340,482	2,353,401
Federal grants	2,092,675	-	2,092,675	2,312,481
State grants	<u>173,457</u>	<u>-</u>	<u>173,457</u>	<u>32,445</u>
TOTAL OPERATING REVENUE AND SUPPORT	13,336,834	-	13,336,834	13,513,576
Expenses:				
Program:				
Regular education	7,927,576	-	7,927,576	7,912,658
Special education	2,188,506	-	2,188,506	2,313,120
Management and general	<u>1,622,082</u>	<u>-</u>	<u>1,622,082</u>	<u>1,171,891</u>
TOTAL EXPENSES	<u>11,738,164</u>	<u>-</u>	<u>11,738,164</u>	<u>11,397,669</u>
SURPLUS FROM SCHOOL OPERATIONS	1,598,670	-	1,598,670	2,115,907
Support and other revenue:				
Contributions	4,952	2,000	6,952	-
Other revenue	8,686	-	8,686	33,877
Loss on disposal of assets	-	-	-	(6,537)
Interest income	<u>43,391</u>	<u>-</u>	<u>43,391</u>	<u>870</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>57,029</u>	<u>2,000</u>	<u>59,029</u>	<u>28,210</u>
CHANGE IN NET ASSETS	1,655,699	2,000	1,657,699	2,144,117
Net assets at beginning of year	<u>9,093,324</u>	<u>-</u>	<u>9,093,324</u>	<u>6,949,207</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,749,023</u>	<u>\$ 2,000</u>	<u>\$ 10,751,023</u>	<u>\$ 9,093,324</u>

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023
 (With Comparative Totals for 2022)

	Year Ended June 30,							2022
	2023							
	No. of Positions	Program Services		Sub-total	Supporting Services		Total	
Regular Education		Special Education	Management and General		Sub-total			
Personnel services costs:								
Administrative staff personnel	15	\$ 430,562	\$ 123,195	\$ 553,757	\$ 629,602	\$ 629,602	\$ 1,183,359	\$ 1,045,884
Instructional personnel	50	3,375,437	945,314	4,320,751	-	-	4,320,751	4,128,391
Non-instructional personnel	4	85,573	15,851	101,424	-	-	101,424	25,251
Total salaries and wages	69	3,891,572	1,084,360	4,975,932	629,602	629,602	5,605,534	5,199,526
Fringe benefits and payroll taxes		693,046	193,113	886,159	112,125	112,125	998,284	921,566
Retirement		41,549	11,577	53,126	6,722	6,722	59,848	778
Legal services		-	-	-	50,160	50,160	50,160	90,237
Accounting/Audit services		-	-	-	180,570	180,570	180,570	169,860
Other Purchased/Professional/Consulting Services		231,450	81,117	312,567	37,445	37,445	350,012	292,863
Building and Land Rent/Lease		1,823,809	508,195	2,332,004	295,069	295,069	2,627,073	2,651,726
Repairs and maintenance		74,372	20,723	95,095	12,032	12,032	107,127	381,831
Insurance		102,003	28,422	130,425	16,503	16,503	146,928	78,072
Supplies/Materials		129,632	28,985	158,617	-	-	158,617	299,363
Equipment/Furnishings		-	-	-	-	-	-	225
Staff development		122,317	24,353	146,670	2,937	2,937	149,607	131,925
Marketing/Recruitment		206,192	47,025	253,217	15,294	15,294	268,511	420,075
Technology		88,997	24,799	113,796	14,399	14,399	128,195	129,391
Food service		4,959	919	5,878	-	-	5,878	25,789
Student services		74,363	13,775	88,138	-	-	88,138	33,895
Office expense		112,846	31,444	144,290	41,525	41,525	185,815	147,141
Depreciation and amortization		330,469	89,699	420,168	51,931	51,931	472,099	377,420
Other		-	-	-	155,768	155,768	155,768	45,986
		<u>\$ 7,927,576</u>	<u>\$ 2,188,506</u>	<u>\$ 10,116,082</u>	<u>\$ 1,622,082</u>	<u>\$ 1,622,082</u>	<u>\$ 11,738,164</u>	<u>\$ 11,397,669</u>

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,657,699	\$ 2,144,117
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	472,099	377,420
Loss on disposal of property and equipment	-	6,537
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	487,919	(689,713)
Prepaid expenses	(4,860)	159,488
Deposits	-	400,137
Accounts payable and accrued expenses	(173,425)	75,901
Accrued payroll and benefits	37,253	(15,234)
Deferred revenue	(360,831)	348,392
Lease liabilities, net of right-of-use asset	<u>127,083</u>	<u>127,083</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>2,242,937</u>	<u>2,934,128</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(156,687)</u>	<u>(3,697,942)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(156,687)</u>	<u>(3,697,942)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	2,086,250	(763,814)
Cash, cash equivalents and restricted cash at beginning of year	<u>4,374,006</u>	<u>5,137,820</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 6,460,256</u>	<u>\$ 4,374,006</u>

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

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

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

The Charter School

Rosalyn Yalow Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School engages its students in a process of inquiry. The students are equipped with the necessary skills to lead fulfilling personal and professional lives, including a developed sense of self, the ability to think in innovative and flexible ways, and the inspiration to make a positive impact on their community. On June 24, 2014 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 and renewable upon expiration on June 30, 2020. On February 24, 2020, the Charter School was granted an extension of the provisional charter for an additional term of four years, renewable upon expiration on June 30, 2024.

Basis of accounting

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

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the 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 of the Charter School are reported in the following self-balancing net asset groups:

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. At June 30, 2023, the Charter School had \$2,000 in net assets with donor restrictions. At June 30, 2022, there were no net assets with donor restrictions.

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’s State and local per pupil operating revenue qualifies as exchange transactions and the revenues are recognized over time.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

State and local per pupil revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil 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.

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2023	2022	2021
Contracts receivable	\$ 4,196	\$ 16,481	\$ 29,428
Deferred revenue	-	360,831	12,439

Contributions (Fundraising)

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.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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 and amounted to \$295,599 and \$771,663 at June 30, 2023 and 2022, respectively. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. The Charter School received cost-reimbursement grants of approximately \$1,573,000 that have not been recognized at June 30, 2022, because qualifying expenditures have not yet been incurred. There were no cost reimbursement grants that weren't recognized at June 30, 2023.

Cash, cash equivalents and cash in escrow

Cash and cash equivalents balances include demand deposit accounts and certain money market accounts, and are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation 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 and cash equivalents.

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve. Upon the renewal of the provisional charter on February 24, 2020, the required balance of the escrow increased to \$100,000 to be funded by December 31, 2021. The amount in escrow was \$100,000 and \$100,048 at June 30, 2023 and 2022, respectively.

Cash and cash equivalents and cash in escrow at June 30, 2023 and 2022 consisted of the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,360,256	\$ 4,273,958
Cash in escrow	<u>100,000</u>	<u>100,048</u>
	<u>\$ 6,460,256</u>	<u>\$ 4,374,006</u>

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

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, 2023 or 2022.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to fifteen years. Leasehold improvements are being amortized over the term of the lease.

Deposits

Deposits are made up of payments made to third parties in connection with facility lease agreements.

Contributed goods and services

The Charter School received transportation services, a nurse, speech therapist, occupational therapist, physical therapist, food supplies and services and lease assistance from the local district. The Charter School was unable to determine a value for these services. There were no donated property or equipment at June 30, 2023 and 2022.

In-kind contributions

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

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulation and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2023 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.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$268,500 and \$420,100 for the years ended June 30, 2023 and 2022, 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.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Leases

The Charter School leases its facility and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and other liabilities on the accompanying statement of financial position.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Adoption of new accounting standard – 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 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 adopted ASC 842 with the date of initial application of July 1, 2022.

The Charter School recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

As part of the adoption of ASC 842, the Charter School elected practical expedients to account for the existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

As a result of the adoption of the new lease accounting guidance, the Charter School recognized on July 1, 2022 beginning of the year of adoption a lease liability of \$30,286,754, which represents the present value of the remaining operating lease payments of \$36,906,250, discounted using the Charter School's risk free rate of 2.88%, and a right-of-use asset of \$30,286,754.

New accounting pronouncement - credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. 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.

Comparatives for the year ended June 30, 2022

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 17, 2023, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

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. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal years 2023 and 2022.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

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, 2023 and 2022:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,360,256	\$ 4,273,958
Grants and other receivables	<u>300,195</u>	<u>788,114</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 6,660,451</u>	<u>\$ 5,062,072</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 434,396	\$ 421,641
Leasehold improvements	4,564,511	4,547,551
Office equipment	117,711	114,524
Computers and equipment	<u>719,215</u>	<u>595,430</u>
	5,835,833	5,679,146
Less accumulated depreciation and amortization	<u>1,445,823</u>	<u>973,724</u>
	<u>\$ 4,390,010</u>	<u>\$ 4,705,422</u>

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES

In December 2020, the Charter School signed a lease with a third party for a new facility. This lease has a fifteen-year term with rent payments that commenced on July 1, 2021 through June 30, 2036. The annual rent shall increase approximately 5% every five years of the lease. Monthly rent expense is approximately \$208,000. Rent expense incurred under this lease for the years ended June 30, 2023 and 2022 was approximately \$2,627,000 and \$2,652,000, respectively.

A summary of operating lease right-of-use asset and liability at June 30, 2023 are as follows:

	<u>Statement of Financial Position Classification</u>	
<u>Assets</u>		
Other assets	Right-of-use asset	<u>\$ 28,377,108</u>
<u>Liabilities</u>		
Current liabilities	Current portion of lease liability	\$ 1,703,793
Other liabilities	Long-term portion of lease liability	<u>26,927,481</u>
		<u>\$ 28,631,274</u>

The components of lease expense were as follows:

Operating lease cost	<u>\$ 2,627,083</u>
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As of June 30, 2023, minimum payments due for lease liability for each of the five succeeding fiscal years and thereafter are as follows:

	<u>Operating leases</u>
2024	\$ 2,500,000
2025	2,500,000
2026	2,500,000
2027	2,625,000
2028	2,625,000
Thereafter	<u>21,656,250</u>
	Total lease payments 34,406,250
Less: Interest	<u>(5,774,976)</u>
	<u>\$ 28,631,274</u>

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

Supplemental information:

Cash paid for amounts included in the measurement of lease liability:	
Operating cash flows paid for operating lease	\$ 2,500,000
Right-of-use assets obtained in exchange for new lease liability (non-cash):	
Operating lease	\$ 30,286,754
Weighted-average remaining lease term:	
Operating lease	13 years
Weighted-average discount rate:	
Operating lease	2.88%

NOTE E: 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.

NOTE F: CONCENTRATIONS

Approximately 1% and 2% of grants and other receivables are due from New York State agencies at June 30, 2023 and 2022, respectively. Approximately 99% and 98% of grants and other receivables are due from the federal government relating to certain grants at June 30, 2023 and 2022, respectively.

For the years ended June 30, 2023 and 2022, approximately 83% and 82%, respectively, of total operating revenue and support came from per-pupil funding and rental assistance provided by New York State through the New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. The Plan allows for the Charter School to make discretionary contributions to the Plan. The Charter School contributed approximately \$60,000 and \$1,000 to the Plan for the years ended June 30, 2023 and 2022, respectively.

NOTE H: 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.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE I: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Undesignated	\$ 6,359,013	\$ 4,387,902
Invested in property and equipment	<u>4,390,010</u>	<u>4,705,422</u>
	<u>\$ 10,749,023</u>	<u>\$ 9,093,324</u>

Net assets with donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Fencing Program	<u>\$ 2,000</u>	<u>\$ -</u>

NOTE J: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$1,587,933 and \$1,704,041 of revenue relative to ESSER grants during the years ended June 30, 2023 and June 30, 2022, respectively.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for emergency connectivity. The Emergency Connectivity Fund (ECF Fund) was established to award grants to state and local educational agencies. The Charter School had recognized \$39,600 of revenue relative to ECF grants for the year ended June 30, 2022. There was no revenue recognized relative to ECF grants for the year ended June 30, 2023.

NOTE K: RENEWAL PROCESS

The Charter School is currently in the process of renewing its charter as granted by the New York State Board of Regents. The charter currently expires June 30, 2024. The renewal process includes review by New York State Department of Education (NYSED) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Upon review of the renewal application and results, NYSED will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed.