

AMANI PUBLIC CHARTER SCHOOL

MOUNT VERNON, 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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Amani Public Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Amani Public 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 Amani Public 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) 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 Amani Public 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.

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 Amani Public 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 Amani Public 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 Amani Public 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 Amani Public 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 Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022 on our consideration of Amani Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Amani Public Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 26, 2022

AMANI PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(With Comparative Totals for June 30, 2021)

<u>ASSETS</u>	June 30,	
	2022	2021
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 500,567	\$ 2,663,822
Certificate of deposit	792,050	790,488
Grants and other receivables	1,640,210	383,249
Prepaid expenses and other current assets	111,570	176,167
TOTAL CURRENT ASSETS	3,044,397	4,013,726
<u>OTHER ASSETS</u>		
Cash in escrow	100,000	75,000
Property and equipment, net	551,181	555,610
	651,181	630,610
TOTAL ASSETS	\$ 3,695,578	\$ 4,644,336
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 97,655	\$ 64,020
Accrued expenses	134,509	76,393
Accrued payroll and benefits	365,662	410,679
Deferred revenue	303,996	304,721
TOTAL CURRENT LIABILITIES	901,822	855,813
<u>LONG-TERM LIABILITIES</u>		
Deferred lease liability	944,183	939,233
Long-term debt	-	862,300
	944,183	1,801,533
TOTAL LIABILITIES	1,846,005	2,657,346
<u>NET ASSETS</u>		
Without donor restrictions	1,805,544	1,942,761
With donor restrictions	44,029	44,229
TOTAL NET ASSETS	1,849,573	1,986,990
TOTAL LIABILITIES AND NET ASSETS	\$ 3,695,578	\$ 4,644,336

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

AMANI PUBLIC CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	Year Ended June 30,			
	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue and support:				
State and local per pupil operating revenue	\$ 6,392,206	\$ -	\$ 6,392,206	\$ 6,580,047
Governmental grants	789,946	-	789,946	382,536
Contributions	10,917	-	10,917	11,718
Contributed educational services	54,114	-	54,114	54,114
Other income	10,082	-	10,082	5,429
Paycheck Protection Program loan forgiveness	872,199		872,199	-
Net assets released from restriction	200	(200)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	8,129,664	(200)	8,129,464	7,033,844
Expenses:				
Program:				
Regular education	6,566,163	-	6,566,163	5,392,520
Special education	964,274	-	964,274	813,130
Management and general	705,074	-	705,074	643,041
Fundraising and special events	31,370	-	31,370	25,279
TOTAL EXPENSES	8,266,881	-	8,266,881	6,873,970
CHANGE IN NET ASSETS	(137,217)	(200)	(137,417)	159,874
Net assets at beginning of year	1,942,761	44,229	1,986,990	1,827,116
NET ASSETS AT END OF YEAR	\$ 1,805,544	\$ 44,029	\$ 1,849,573	\$ 1,986,990

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

AMANI PUBLIC CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

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

	Year ended June 30, 2022							Year Ended June 30, 2021 Total	
	No. of positions	Program Services			Supporting Services				
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total		Total
Personnel Service Costs:									
Administrative Staff	10	\$ 865,682	\$ 145,559	\$ 1,011,241	\$ 358,422	\$ 29,814	\$ 388,236	\$ 1,399,477	\$ 1,223,473
Instructional Personnel	48	2,199,829	559,202	2,759,031	891	15	906	2,759,937	2,291,772
Non-instructional Personnel	12	134,818	24,386	159,204	67,998	19	68,017	227,221	191,890
Total Salaries and Wages	70	3,200,329	729,147	3,929,476	427,311	29,848	457,159	4,386,635	3,707,135
Fringe benefits & payroll taxes		913,609	51,910	965,519	72,154	519	72,673	1,038,192	992,684
Legal service		-	-	-	21,220	-	21,220	21,220	5,700
Accounting / Audit services		-	-	-	112,555	-	112,555	112,555	102,455
Other Purchased / Professional / Consulting services		337,725	24,759	362,484	4,243	71	4,314	366,798	219,442
Building and land rent / Lease		947,188	73,144	1,020,332	31,573	526	32,099	1,052,431	1,052,431
Repairs and maintenance		121,304	9,367	130,671	4,043	67	4,110	134,781	63,212
Insurance		44,256	3,407	47,663	7,108	24	7,132	54,795	46,378
Utilities		116,620	9,006	125,626	3,887	65	3,952	129,578	67,730
Supplies / Materials		85,930	6,097	92,027	-	-	-	92,027	60,872
Equipment / Furnishings		4,649	359	5,008	155	3	158	5,166	3,064
Staff development		91,840	6,840	98,680	1,723	29	1,752	100,432	55,660
Marketing / Recruitment		37,073	2,747	39,820	618	10	628	40,448	33,117
Technology		138,412	10,575	148,987	4,011	67	4,078	153,065	115,048
Food service		150,068	10,647	160,715	-	-	-	160,715	19,247
Student services		125,449	8,900	134,349	-	-	-	134,349	41,168
Office expense		106,523	8,226	114,749	3,551	59	3,610	118,359	112,049
Depreciation and amortization		101,420	5,763	107,183	8,010	58	8,068	115,251	106,602
Other		43,768	3,380	47,148	2,912	24	2,936	50,084	69,976
		<u>\$ 6,566,163</u>	<u>\$ 964,274</u>	<u>\$ 7,530,437</u>	<u>\$ 705,074</u>	<u>\$ 31,370</u>	<u>\$ 736,444</u>	<u>\$ 8,266,881</u>	<u>\$ 6,873,970</u>

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

AMANI PUBLIC CHARTER SCHOOL

STATEMENT OF CASH FLOWS

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

	<u>Year Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (137,417)	\$ 159,874
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation and amortization	115,251	106,602
Loss on disposal of property and equipment	22,000	-
Paycheck Protection Program loan forgiveness	(862,300)	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(1,256,961)	(41,058)
Prepaid expenses and other current assets	64,597	(166,079)
Accounts payable	33,635	20,880
Accrued expenses	58,116	(12,121)
Accrued payroll and benefits	(45,017)	92,481
Deferred revenue	(725)	3,217
Deferred lease liability	<u>4,950</u>	<u>35,458</u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(2,003,871)	199,254
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchase of certificate of deposit	(1,562)	(3,312)
Purchases of property and equipment	<u>(132,822)</u>	<u>(177,503)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(134,384)</u>	<u>(180,815)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(2,138,255)	18,439
Cash and cash equivalents and restricted cash at beginning of year	<u>2,738,822</u>	<u>2,720,383</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 600,567</u>	<u>\$ 2,738,822</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
<u>NON-CASH OPERATING ACTIVITIES</u>		
Contributions of educational services	<u>\$ 54,114</u>	<u>\$ 54,114</u>

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

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Amani Public Charter School (“the Charter School”) is an educational corporation that operates as a charter school in Mount Vernon, New York. On December 14, 2010, 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. The Charter was renewed for the second time in April 2019 for a term of three years through June 30, 2022. The Charter was renewed for the third time in April 2022 for a term of four years through June 30, 2026. The Charter School was established to provide its students in grades 5-8 with the academic skills necessary to succeed in competitive high school programs, college and career of their choice.

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.

Net assets, revenues, gains, and losses 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 over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by 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.

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.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

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

The Charter School records revenues both over time and at a point in time as follows:

	June 30,	
	2022	2021
Revenues earned over time	\$ 6,426,271	\$ 6,611,074
Revenues earned at a point in time	1,431	-
	<u>\$ 6,427,702</u>	<u>\$ 6,611,074</u>

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 Charter 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. Receivables relating to per pupil funding are included in grants and other receivables on the accompanying statement of financial position. Per pupil funding received in excess of amounts recognized are recorded as deferred revenues.

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

	June 30,		
	2022	2021	2020
Receivables relating to Per Pupil funding	\$ 1,154,853	\$ 99,760	\$ 113,374
Deferred revenues	\$ 303,996	\$ 304,721	\$ 301,504

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.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

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

Contributions, including unconditional promises to give, are recognized as revenues in the period received. A contribution that is received and expended in the same year for a specified 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 restriction expires, 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.

Special events

The Charter School conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event - the exchange component, and a portion represents a contribution to the Charter School. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Charter School. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Charter School, are recorded as fundraising expense in the statement of functional expenses. The performance obligation is delivery of the event. The event fee is set by the Charter School. Special event fees collected by the Charter School in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Charter School follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

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. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was no deferred revenue relating to cost-reimbursement grants at June 30, 2022 or 2021. The Charter School was awarded cost-reimbursement grants of approximately \$507,875 and \$1,500 that have not been recognized at June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and cash equivalents are maintained at financial institutions located in Mount Vernon, New York and are insured by the FDIC up to \$250,000 at each institution. The Charter School considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of money market accounts. 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.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

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

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 500,567	\$ 2,663,822
Cash in escrow	<u>100,000</u>	<u>75,000</u>
	<u>\$ 600,567</u>	<u>\$ 2,738,822</u>

Certificate of deposit

The Charter School maintains its certificate of deposit with a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Charter School's balance may exceed federally insured limits. The Charter School has not experienced any losses in such account and does not believe it is exposed to any significant risk. The CD matured in February 2022 and was renewed through August 2022. The Charter School did not renew the CD upon maturity.

Cash in escrow

The Charter School maintained cash in an escrow account in accordance with the terms of its Charter agreement.

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 and 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 fifteen years.

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

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

Deferred revenue

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

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 has not recognized 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. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$40,000 and \$33,000 for the years ended June 30, 2022 and 2021, respectively.

Accounting/Audit services

Accounting/Audit services is made up of expenses for financial management services as well as professional service expenses related to the annual financial statement audit.

Other purchased/professional/consulting services

Other purchased/professional/consulting services primarily consists of professional service expenses related to technology, security, regular and special education consultants, and payroll services.

Reclassifications

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

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.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

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

Comparatives for year ended June 30, 2021

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, 2021, from which the summarized information was derived.

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 B.

New accounting pronouncements - 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 26, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

NOTE B: GIFTS-IN-KIND

The Charter School received contributed educational services of approximately \$54,000 which are included in the accompanying statements of activities and changes in net assets for each of the years ended June 30, 2022 and 2021. These educational services are valued at the estimated fair value based on current rates for similar educational services. There were no associated donor restrictions with the contributed services. See the table below for program utilization:

<u>Program or Supporting Service</u>	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Regular education	\$ 48,703	\$ 48,703
Special education	3,761	3,761
Management and general	1,623	1,623
Fundraising	<u>27</u>	<u>27</u>
Total	<u>\$ 54,114</u>	<u>\$ 54,114</u>

NOTE C: 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 education and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

Due to a strong focus on improving educational quality, the Charter School's Board of Trustees has approved an annual budget for the fiscal year ending June 30, 2023 with a deficit of approximately \$149,000. This deficit is anticipated to be funded through existing financial assets. In addition, the Charter School has a \$400,000 line of credit available for use if necessary.

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:

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

NOTE C: LIQUIDITY AND AVAILABILITY, Cont'd

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 500,567	\$ 2,663,822
Certificate of deposit	792,050	790,488
Grants and other receivables	<u>1,640,210</u>	<u>383,249</u>
Total financial assets available within one year	2,932,827	3,837,559
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	<u>(44,029)</u>	<u>(44,229)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 2,888,798</u>	<u>\$ 3,793,330</u>

NOTE D: SCHOOL FACILITY

Beginning September 1, 2014, the Charter School leases its facilities from T & Z Partners, Inc. through August 30, 2029 with the option to renew for an additional 15 years. Current monthly rental payments are \$89,240. Other expenses in excess of the first year's base costs will be paid for by the Charter School. Starting April 1, 2016, base rent will increase every year by the Per Pupil Funding rate increase up to 3%, as indicated by the New York State Education Department. In years where the Per Pupil Funding is below 3% the remaining amount will be deferred to a period where the rate is above 3% and be included in base rent for that lease year. Total rent expense for both of the years ended June 30, 2022 and 2021 was approximately \$1,052,000. Total approximate square footage usage for all facilities as of June 30, 2022 and 2021 was 45,000.

The future minimum payments on these agreements, assuming a 3% increase per year, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	1,078,907
2024	1,111,275
2025	1,144,613
2026	1,178,951
2027	1,214,320
Thereafter	<u>2,758,528</u>
	<u>\$ 8,486,594</u>

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 303,108	\$ 290,911
Office equipment	449,697	392,043
Leasehold improvements	<u>769,984</u>	<u>729,013</u>
	1,522,789	1,411,967
Less accumulated depreciation and amortization	<u>971,608</u>	<u>856,357</u>
	<u>\$ 551,181</u>	<u>\$ 555,610</u>

NOTE F: LINE OF CREDIT

The Charter School has a \$400,000 line of credit with a maturity date of February 5, 2023. The line of credit provides for interest at .5% over the Prime Rate (effective rate of 5.25% as of June 30, 2022). As of June 30, 2022 and 2021, there were no outstanding balances. The line is secured by all assets of the Charter School.

NOTE G: COMMITMENTS

The Charter School leases office equipment under lease agreements that expire at various dates through August 2027. The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 116,000
2024	116,000
2025	65,000
2026	65,000
2027	65,000
Thereafter	<u>11,000</u>
	<u>\$ 438,000</u>

The Charter School's landlord is currently making leasehold improvements to the Charter School's facility. In accordance with the terms of the lease, once construction is complete, the School will be required to reimburse the landlord for the leasehold improvements. The lease agreement calls for reimbursement of up to \$3,000,000 plus any additional changes approved by the Charter School. The Charter School is unable to estimate the amount due. Upon completion, the School expects to repay the landlord in monthly payments over 15 years plus interest at 7%. The amount and terms of the note have not yet been finalized.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

NOTE H: 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. The Plan allows for a discretionary employer match contribution. The Charter School made contributions of approximately \$52,000 and \$59,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE I: 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 J: CONCENTRATIONS

At June 30, 2022 approximately 18% of grants and other receivables were due from the New York State Department of Education, relating to certain grants. At June 30, 2021 approximately 49% of grants and receivables were due from the New York State Department of Education.

During the years ended June 30, 2022 and 2021, 79% and 94% of total operating revenue and support came from per-pupil funding provided by New York State, respectively. The per-pupil rate is set annually by the State based on the school district in which the Charter School’s students reside.

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses (including salaries, benefits, payroll taxes, purchased services, rent, repairs, insurance, utilities, supplies, and depreciation) which are attributable to more than one program or supporting function are allocated on the basis of estimates of time, effort, and usage.

NOTE L: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	<u>2022</u>	<u>2021</u>
Undesignated	\$ 1,254,363	\$ 1,387,151
Invested in property and equipment	<u>551,181</u>	<u>555,610</u>
	<u>\$ 1,805,544</u>	<u>\$ 1,942,761</u>

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

NOTE L: NET ASSETS, Cont'd

Net assets with donor restrictions are as follows:

	June 30,	
	2022	2021
Subject to expenditure for specified purpose:		
Latin scholarship fund	\$ 4,800	\$ 5,000
21st Century library fund	22,350	22,350
Student travel fund	16,879	16,879
	<u>\$ 44,029</u>	<u>\$ 44,229</u>

NOTE M: LONG-TERM DEBT

In response to the COVID-19 outbreak, in May 2020, the Charter School applied for and was approved by a bank for a loan of \$862,300 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 were met by the Charter School. The loan was funded on May 6, 2020. The loan was forgiven in full on August 5, 2021.

NOTE N: FINANCIAL 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 \$258,813 and \$78,317 of revenue relative to the ESSER grants during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022, the Charter School has \$507,875 of ESSER grants still available through September 30, 2024.

AMANI PUBLIC 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
Amani Public 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 Amani Public 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 26, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Amani Public Charter School's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Amani Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Amani Public 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Amani Public 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 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 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 26, 2022