

**FINN ACADEMY: AN ELMIRA CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Finn Academy: An Elmira Charter School

### Opinion

We have audited the accompanying balance sheets of Finn Academy: An Elmira Charter School (the School) as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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.

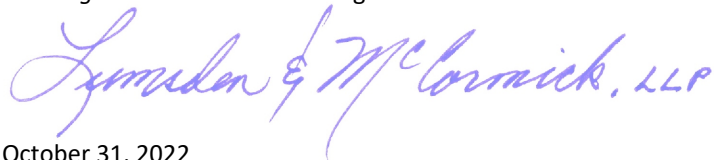
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October \_\_, 2022 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Lyndon & McCormick, LLP

October 31, 2022

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

**Balance Sheets**

June 30,	2022	2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 1,117,318	\$ 1,240,828
Receivables (Note 2)	422,105	331,229
Prepaid expenses and other	48,872	74,954
	<u>1,588,295</u>	<u>1,647,011</u>
Property and equipment, net (Note 3)	748,446	793,780
Restricted cash	<u>75,000</u>	<u>75,000</u>
	<u>\$ 2,411,741</u>	<u>\$ 2,515,791</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ -	\$ 3,270
Accounts payable and accrued expenses	689,913	586,785
	<u>689,913</u>	<u>590,055</u>
<b>Net assets:</b>		
Without donor restrictions	1,717,818	1,925,736
With donor restrictions	4,010	-
	<u>1,721,828</u>	<u>1,925,736</u>
	<u>\$ 2,411,741</u>	<u>\$ 2,515,791</u>

See accompanying notes.

**Statements of Activities**

For the years ended June 30,	2022	2021
<b>Changes in net assets without donor restrictions:</b>		
<b>Revenue and support:</b>		
Enrollment fees:		
Resident students	\$ 4,516,548	\$ 4,196,901
Resident students with disabilities	282,460	198,182
Contributions:		
Federal, state and local awards	694,367	396,410
Paycheck Protection Program (Note 9)	-	654,160
Other income	28,499	22,904
<b>Total support and revenue</b>	<b>5,521,874</b>	<b>5,468,557</b>
<b>Expenses:</b>		
Program expenses:		
Regular education	3,621,797	3,243,032
Special education	312,700	361,834
Other program	850,145	599,503
Supporting services:		
Management and general	945,150	983,815
<b>Total expenses</b>	<b>5,729,792</b>	<b>5,188,184</b>
<b>Change in net assets without donor restrictions</b>	<b>(207,918)</b>	<b>280,373</b>
<b>Changes in net assets with donor restrictions:</b>		
Contributions - federal, state and local awards	4,010	-
Change in net assets	(203,908)	280,373
Net assets - beginning	1,925,736	1,645,363
Net assets - ending	\$ 1,721,828	\$ 1,925,736

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

**Statement of Functional Expenses**

For the year ended June 30, 2022

	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	8.0	\$ -	\$ -	\$ -	\$ 495,629	\$ 495,629
Instructional personnel	52.4	2,177,803	224,311	-	-	2,402,114
Non-instructional personnel	5.1	-	-	191,688	-	191,688
Total salaries	65.5	\$ 2,177,803	\$ 224,311	\$ 191,688	\$ 495,629	\$ 3,089,431
Salaries		\$ 2,177,803	\$ 224,311	\$ 191,688	\$ 495,629	\$ 3,089,431
Employee benefits and payroll taxes		325,096	33,484	28,615	73,986	461,181
Retirement		158,164	16,291	13,921	35,995	224,371
Instructional consultants		2,756	-	-	-	2,756
Contracted services - special education		-	663	-	-	663
Classroom supplies and materials		115,097	-	-	-	115,097
Technology		163,481	-	-	-	163,481
Student activities		-	-	32,075	-	32,075
Nurse supplies		-	-	3,680	-	3,680
Student testing and assessment		17,735	-	-	-	17,735
Field trips		1,472	-	-	-	1,472
Transportation		-	-	352,121	-	352,121
Food service		-	-	190,094	-	190,094
Staff development		52,960	-	-	-	52,960
Student and teacher recruitment		-	-	-	21,721	21,721
Repairs and maintenance		118,624	7,414	7,414	14,828	148,280
Utilities		92,966	5,810	5,810	11,621	116,207
Occupancy		150,400	9,400	9,400	18,800	188,000
Telephone and internet		15,632	977	977	1,954	19,540
Insurance		41,302	2,581	2,581	5,163	51,627
Office expense		59,517	3,720	3,720	7,440	74,397
Professional fees		-	-	-	186,985	186,985
Payroll processing fees		-	-	-	24,880	24,880
Other		5,456	341	341	682	6,820
Bad debts		-	-	-	30,049	30,049
Interest		87	5	5	11	108
		3,498,548	304,997	842,442	929,744	5,575,731
Depreciation		123,249	7,703	7,703	15,406	154,061
Total		\$ 3,621,797	\$ 312,700	\$ 850,145	\$ 945,150	\$ 5,729,792

See accompanying notes.

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

**Statement of Functional Expenses**

For the year ended June 30, 2021

	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	6.0	\$ -	\$ -	\$ -	\$ 422,751	\$ 422,751
Instructional personnel	50.0	1,968,777	243,512	-	-	2,212,289
Non-instructional personnel	6.0	-	-	126,971	107,517	234,488
Total salaries	62.0	\$ 1,968,777	\$ 243,512	\$ 126,971	\$ 530,268	\$ 2,869,528
Salaries		\$ 1,968,777	\$ 243,512	\$ 126,971	\$ 530,268	\$ 2,869,528
Employee benefits and payroll taxes		327,265	40,478	21,106	88,145	476,994
Retirement		157,361	19,463	10,149	42,383	229,356
Instructional consultants		4,940	-	-	-	4,940
Contracted services - special education		-	464	-	-	464
Classroom supplies and materials		94,096	-	-	-	94,096
Technology		159,001	-	-	-	159,001
Student activities		-	-	12,090	-	12,090
Nurse supplies		-	-	5,933	-	5,933
Student testing and assessment		23,215	-	-	-	23,215
Field trips		185	-	-	-	185
Transportation		-	-	233,318	-	233,318
Food service		-	-	156,164	-	156,164
Staff development		16,133	-	-	-	16,133
Student and teacher recruitment		-	-	-	9,817	9,817
Repairs and maintenance		113,940	16,277	8,139	24,416	162,772
Utilities		51,454	7,351	3,675	11,026	73,506
Occupancy		131,600	18,800	9,400	28,200	188,000
Telephone and internet		6,357	397	397	795	7,946
Insurance		41,044	5,863	2,932	8,795	58,634
Office expense		39,762	2,485	2,485	4,970	49,702
Professional fees		-	-	-	143,358	143,358
Payroll processing fees		-	-	-	18,154	18,154
Other		9,769	611	611	1,221	12,212
Bad debts		-	-	-	60,000	60,000
Interest		368	23	23	46	460
		3,145,267	355,724	593,393	971,594	5,065,978
Depreciation		97,765	6,110	6,110	12,221	122,206
Total		\$ 3,243,032	\$ 361,834	\$ 599,503	\$ 983,815	\$ 5,188,184

See accompanying notes.



**Statements of Cash Flows**

For the years ended June 30,	2022	2021
<b>Operating activities:</b>		
Cash received from enrollment fees	\$ 4,827,948	\$ 4,387,011
Cash received from contributions	548,512	275,537
Cash received from other sources	28,499	22,904
Payments to employees for services and benefits	(3,752,619)	(3,508,672)
Payments to vendors and suppliers	(1,663,745)	(1,421,042)
Interest paid	(108)	(460)
<b>Net operating activities</b>	<b>(11,513)</b>	<b>(244,722)</b>
<b>Investing activities:</b>		
Property and equipment expenditures	(108,727)	(95,531)
<b>Financing activities:</b>		
Principal payments on long-term debt	(3,270)	(4,593)
<b>Net change in cash and restricted cash</b>	<b>(123,510)</b>	<b>(344,846)</b>
Cash and restricted cash - beginning	1,315,828	1,660,674
<b>Cash and restricted cash - ending</b>	<b>\$ 1,192,318</b>	<b>\$ 1,315,828</b>

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies:

#### Organization and Purpose:

Finn Academy: An Elmira Charter School (the School), operates a charter school in the City of Elmira, New York (the City) authorized by the Board of Regents of the University of the State of New York. The School offers classes from kindergarten through sixth grade. The School is chartered through July 2023 and continued operations are contingent upon approval of its charter renewal.

#### Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through October \_\_, 2022, the date the financial statements were available to be issued.

#### Cash and Restricted Cash:

Cash in financial institutions potentially subjects the School to concentrations of credit risk since it may exceed insured limits at various times throughout the year. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur. This is included as restricted cash on the balance sheets as of June 30, 2022 and 2021.

#### Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided over estimated asset service lives using the straight-line method. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

#### Revenue Recognition:

##### Enrollment Fees

Enrollment fees are received from the public-school districts in which the student resides. The amount received each year from the resident district is generally the product of the approved operating expense per pupil and the full-time equivalent enrollment of the students in the School residing in that district.

The respective districts also reimburse the School for special education services based on approved applicable rates for the services provided. Revenues are recognized over the period services are provided. The School generally invoices the resident district bimonthly and payment is due in 30 days. Enrollment fees received in advance are deferred and recognized when earned. The School's enrollment fees are received primarily from the Elmira City School District.

##### Contributions

Contributions are reported at fair value at the date the pledge or award is received. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

Conditional contributions, primarily government awards, are recorded as revenue when the School meets requirements in compliance with specific agreements. When applicable, amounts received before the required conditions are met are reported as refundable advances on the accompanying balance sheets. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

##### Receivables

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debts expense and a credit to allowance for doubtful accounts based on its assessment of the current status of individual accounts and historical trends. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to receivables.

##### Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2022 are available for a library management system.

#### Income Taxes:

The School is a 501(c)(3) corporation exempt from taxation under Section 501(a) of the Internal Revenue Code.

#### Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Functional Expense Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries and benefits, which are allocated based on estimates of time and effort, and depreciation, occupancy and related, interest, insurance and office expenses which are allocated based on management's estimate of program benefit.

#### Reclassifications:

The 2021 financial statements have been reclassified to conform to the presentation adopted for 2022.

#### 2. Receivables:

	2022	2021
Enrollment fees	\$ 212,638	\$ 336,687
Contributions	269,467	154,542
	482,105	491,229
Less allowance for doubtful collections	60,000	160,000
	\$ 422,105	\$ 331,229

#### 3. Property and Equipment:

	2022	2021
Building improvements	\$ 746,649	\$ 732,727
Instructional and office equipment	608,995	514,190
	1,355,644	1,246,917
Less accumulated depreciation	607,198	453,137
	\$ 748,446	\$ 793,780

#### 4. Short-Term Borrowings:

The School has available a \$250,000 unsecured bank demand line of credit with interest payable at prime plus 1% with a minimum of 4.25% and a maximum of 16%. The line is subject to the usual terms and conditions applied by the bank for working capital financing and is annually reviewed and renewed. There were no borrowings on the line of credit at June 30, 2022 and 2021.

#### 5. Retirement Plans:

The School participates in the New York State Teachers' Retirement System (TRS) which is a cost-sharing multiple employer public employee retirement system. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from TRS at [www.nystrs.org](http://www.nystrs.org).

No employee contribution is required for those whose service began prior to July 1976. TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate is 9.80% of the annual covered payroll for the year ended June 30, 2022, and 9.53% for the year ended June 30, 2021. The required contributions for the years ended June 30, 2022 and 2021 TRS were \$200,417 and \$212,517.

The School also has a 403(b) plan covering selected employee groups. The School contributes 5% of non-instructional, qualifying employees' salaries to the plan, subject to certain limitations. The School's contribution was \$23,954 and \$16,839 for the years ended June 30, 2022 and 2021.

## 6. Leases:

The School leases certain property and equipment under the terms of noncancelable operating lease agreements. Rent expense for operating leases totaled approximately \$224,000 and \$213,000 for the years ended June 30, 2022 and 2021.

Future minimum annual rent payments required under the leases are:

2023	\$	204,000
2024		204,000
2025		204,000
2026		4,000
	\$	<u>616,000</u>

## 7. Contingencies:

The School is subject to claims and lawsuits that arise in the ordinary course of business. Management does not believe these claims will have a material adverse effect on the School.

## 8. Financial Assets Available for Operating Purposes:

The School obtains financial assets generally through enrollment fees and contributions. The financial assets are acquired throughout the year to help meet the School's cash needs for general expenditures. If necessary, the School also has access to a \$250,000 bank demand line of credit (Note 4).

The School's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2022:

	2022	2021
Cash available for operations	\$ 1,117,318	\$ 1,240,828
Receivables	<u>422,105</u>	<u>331,229</u>
	\$ 1,539,423	\$ 1,572,057

## 9. Risks and Uncertainties due to COVID-19:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and schools and resulted in a severe disruption of operations for many organizations.

During the 2020-21 school year, the School provided hybrid in-person and remote instruction models in compliance with all government safety mandates, returning to in-person learning in the 2021-22 school year. Consequently, enrollment fees and revenue for the years ended June 30, 2022 and 2021 were not reduced.

In June 2020, the School received a loan of \$654,160 from the Small Business Administration (SBA) under the Paycheck Protection Program of the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the pandemic. The loan was forgiven in June 2021 and recognized as contributions revenue in the accompanying 2021 statement of activities.

The full extent of the impact of COVID-19 on the School's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, and its impact on schools, including its students and families, employees, and vendors, none of which can be predicted.

**INDEPENDENT AUDITORS' 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***

The Board of Trustees  
Finn Academy: An Elmira Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Finn Academy: An Elmira Charter School (the School), which comprise the balance sheet as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lunden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 31, 2022