Northside Charter High School

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

June 30, 2023 and 2022

Northside Charter High School

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

June 30, 2023 and 2022

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Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Northside Charter High School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 Northside Charter High School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northside Charter High School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northside Charter High 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 Northside Charter High School's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of Northside Charter High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northside Charter High 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 Northside Charter High School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
November 1, 2023

Northside Charter High School

Statements of Financial Position

	June 30, 2023	June 30, 2022
ASSETS		
Current Assets		
Cash	$ 692,314	$ 5,526,958
Investments	5,174,481	-
Grants and contracts receivable	828,634	395,368
Prepaid expenses and other current assets	54,704	79,044
Total Current Assets	6,750,133	6,001,370
Property and equipment, net	753,365	420,225
Restricted cash	150,698	75,516
	$ 7,654,196	$ 6,497,111
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 189,819	$ 161,267
Refundable advances	135,377	-
Total Current Liabilities	325,196	161,267
Net assets, without donor restrictions	7,329,000	6,335,844
	$ 7,654,196	$ 6,497,111

See notes to financial statements

Northside Charter High School

Statements of Activities

	Year Ended June 30,	
	2023	2022
REVENUE AND SUPPORT		
State and local per pupil operating revenue	$ 8,327,750	$ 7,538,055
Federal grants	1,137,689	573,628
Federal IDEA and E-rate	153,499	116,000
State grants	32,014	-
Investment return	174,481	4,896
Other revenue	53,166	54,642
Total Revenue and Support	9,878,599	8,287,221
EXPENSES		
Program Services		
Regular education	5,988,684	5,250,656
Special education	2,058,250	1,995,533
Total Program Services	8,046,934	7,246,189
Supporting Services		
Management and general	838,509	877,180
Total Expenses	8,885,443	8,123,369
Gain on forgiveness of Paycheck Protection Program loan	-	612,500
Change in Net Assets	993,156	776,352
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	6,335,844	5,559,492
End of year	$ 7,329,000	$ 6,335,844

See notes to financial statements

Northside Charter High School

Statement of Functional Expenses
Year Ended June 30, 2023

	No. of Positions	Program Services Regular Education	Program Services Special Education	Program Services Total	Management and General	Total
Personnel Services Cost						
Administrative staff personnel	12	$ 536,481	$ 162,199	$ 698,680	$ 465,786	$ 1,164,466
Instructional personnel	40	2,755,035	1,040,196	3,795,231	-	3,795,231
Non-Instructional personnel	13	226,340	68,431	294,771	-	294,771
Total Personnel Services Cost	65	3,517,856	1,270,826	4,788,682	465,786	5,254,468
Payroll taxes and employee benefits		712,898	283,030	995,928	103,737	1,099,665
Retirement		47,250	17,069	64,319	6,256	70,575
Legal fees		-	-	-	31,254	31,254
Audit fees		-	-	-	34,000	34,000
Financial management services		-	-	-	51,527	51,527
Contractual services		700,837	243,095	943,932	70,134	1,014,066
Marketing and recruiting		61,758	19,480	81,238	1,817	83,055
Staff development		97,577	29,501	127,078	-	127,078
Office expense		82,049	29,640	111,689	10,864	122,553
Telephone and internet		35,555	7,111	42,666	14,222	56,888
Travel and conferences		53,591	-	53,591	-	53,591
Textbooks and classroom supplies		220,977	66,810	287,787	-	287,787
Student activities and fees		65,414	-	65,414	-	65,414
School events		158,325	47,868	206,193	-	206,193
Insurance		69,328	8,666	77,994	8,666	86,660
Dues and subscriptions		-	-	-	14,463	14,463
Technology and equipment		41,098	12,645	53,743	9,484	63,227
Depreciation and amortization		112,547	22,509	135,056	15,007	150,063
Miscellaneous		11,624	-	11,624	1,292	12,916
Total Expenses		$ 5,988,684	$ 2,058,250	$ 8,046,934	$ 838,509	$ 8,885,443

See notes to financial statements

Northside Charter High School

Statement of Functional Expenses
Year Ended June 30, 2022

	No. of Positions	Program Services: Regular Education	Program Services: Special Education	Program Services: Total	Management and General	Total
Personnel Services Cost						
Administrative staff personnel	10	$ 624,310	$ 204,311	$ 828,621	$ 552,414	$ 1,381,035
Instructional personnel	43	2,305,723	1,001,478	3,307,201	-	3,307,201
Non-Instructional personnel	11	243,434	79,666	323,100	-	323,100
Total Personnel Services Cost	64	3,173,467	1,285,455	4,458,922	552,414	5,011,336
Payroll taxes and employee benefits		723,253	292,963	1,016,216	125,899	1,142,115
Retirement		21,793	8,828	30,621	3,794	34,415
Legal fees		-	-	-	5,972	5,972
Audit fees		-	-	-	20,250	20,250
Financial management services		-	-	-	10,275	10,275
Contractual services		381,277	153,654	534,931	58,636	593,567
Marketing and recruiting		32,532	11,450	43,982	1,798	45,780
Staff development		244,778	80,105	324,883	-	324,883
Office expense		66,202	26,816	93,018	11,524	104,542
Telephone and internet		37,464	7,493	44,957	14,986	59,943
Travel and conferences		25,082	-	25,082	-	25,082
Textbooks and classroom supplies		156,110	51,088	207,198	-	207,198
Student activities and fees		47,606	-	47,606	-	47,606
School events		101,196	33,117	134,313	-	134,313
Insurance		64,832	8,104	72,936	8,104	81,040
Dues and subscriptions		-	-	-	36,596	36,596
Technology and equipment		40,107	12,341	52,448	9,256	61,704
Depreciation and amortization		120,597	24,119	144,716	16,080	160,796
Miscellaneous		14,360	-	14,360	1,596	15,956
Total Expenses		$ 5,250,656	$ 1,995,533	$ 7,246,189	$ 877,180	$ 8,123,369

See notes to financial statements

Northside Charter High School

Statements of Cash Flows

	Year Ended June 30, 2023	Year Ended June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 993,156	$ 776,352
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	150,063	160,796
Gain on forgiveness of Paycheck Protection Program loan	-	(612,500)
Net unrealized gain on investments	(174,481)	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(433,266)	(172,609)
Prepaid expenses and other current assets	24,340	(3,153)
Accounts payable and accrued expenses	28,552	3,337
Refundable advances	135,377	-
Net Cash from Operating Activities	723,741	152,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(483,203)	(188,313)
Purchase of investments	(5,000,000)	-
Net Cash from Investing Activities	(5,483,203)	(188,313)
Net Change in Cash and Restricted Cash	(4,759,462)	(36,090)
CASH AND RESTRICTED CASH		
Beginning of year	5,602,474	5,638,564
End of year	$ 843,012	$ 5,602,474

See notes to financial statements

1. Organization and Tax Status

Northside Charter High School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 13, 2009 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 13, 2009, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (The “Board of Regents”). The Board of Regents approved and issued several renewals to the School’s charter expiring on June 30, 2027. The School's mission is to provide a nine through twelve grade educational program that results in mastery of the New York State Learning Standards, high school graduation, and acceptance to colleges and universities of choice by all students. In addition, the School develops and maintains a school culture that endorses high expectations that challenge each student to recognize and achieve his/her full potential within a school environment that is nurturing, professional and that fosters within each student an appreciation for life-long learning. The School provided education to approximately 416 students in ninth through twelfth grades during the 2022-2023 academic year.

The School shares space with a New York City public school beginning in August 2009. The School occupies approximately 20,880 square feet on one floor of a public school building. The School also shares the gymnasium, auditorium and cafeteria with the public school which approximate 20,520 square feet. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School’s programs that take place outside the district’s school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

The New York City Department of Education provides free lunches and transportation directly to some of the School’s students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

Net Asset Presentation

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

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

Net assets with Donor Restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2023 and 2022.

Fair Value Measurements

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

Investment Valuation

Investments are stated at fair value.

Investment Income Recognition

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

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

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

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

	2023	2022
Cash	$ 692,314	$ 5,526,958
Restricted cash	150,698	75,516
	$ 843,012	$ 5,602,474

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of $1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset which is five years. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

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

Computers and equipment	5 years
Furniture and fixtures	5 years
Software	5 years
Website	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2023 and 2022.

Refundable Advances

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

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

Revenue and Support

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

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Functional Expense Allocation

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

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2023 and 2022 was $83,055 and $45,780.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2020.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 1, 2023.

3. Grants and Contracts Receivable

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

4. Property and Equipment

Property and equipment, net consists of the following at June 30:

	2023	2022
Computers and equipment	$ 1,605,609	$ 1,201,503
Furniture and fixtures	418,799	339,702
Software	41,115	41,115
Leasehold improvements	38,928	38,928
Website	31,227	31,227
	2,135,678	1,652,475
Accumulated depreciation and amortization	(1,382,313)	(1,232,250)
	$ 753,365	$ 420,225

5. Liquidity and Availability of Financial Assets

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

	2023	2022
Cash	$ 692,314	$ 5,526,958
Investments	5,174,481	-
Grants and contracts receivable	828,634	395,368
	$ 6,695,429	$ 5,922,326

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid securities until it is required for operational use. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see Note 9).

6. Investments

The School's investments consist of mutual funds, considered a level 1 investment, and had a balance at June 30, 2023 and 2022 of $5,174,481 and $0.

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 5%. Employer match for the years ended June 30, 2023 and 2022 amounted to $70,575 and $34,415.

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions and investments. At times, such amounts exceed the current insured amount under the Federal Deposit Insurance Corporation ("FDIC") limit of $250,000. Investments are maintained at a broker which insures the balance up to $500,000 with Securities Investor Protection Corporation insurance. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2023 and 2022, approximately $584,000 and $5,330,000 of cash was maintained with institutions in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2023 and 2022, the School received approximately 84% and 85% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

10. Paycheck Protection Program Loan Payable

On May 2, 2020, the School received loan proceeds in the amount of $612,500 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest were forgivable as long as the borrower used the loan proceeds for eligible purposes, as described in the CARES Act, over a period of between eight and twenty-four weeks (the "Covered Period"). Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA").

On November 9, 2021, the PPP loan was fully forgiven by the SBA, and as such, the School has recognized the proceeds as gain on forgiveness of Paycheck Protection Program loan in the accompanying statements of activities.

11. Contingency

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

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Northside Charter High School

Uniform Guidance
Schedules and Reports

June 30, 2023

Northside Charter High School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021234535	$ -	$ 153,660
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147234535	-	23,397
Student Support and Academic Enrichment Program	84.424	0204234535	-	10,514
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891214535	-	319,788
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880214535	-	464,100
Total U.S. Department of Education			-	971,459
Federal Communications Commission				
Pass-Through Universal Service Administrative Company:				
COVID-19 Emergency Connectivity Fund Program	32.009	not available	-	166,230
Total Expenditures of Federal Awards			$ -	$ 1,137,689

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

Northside Charter High School

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Northside Charter High School (the “School”), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Board of Trustees
Northside Charter High 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 Northside Charter High School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 November 1, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

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.*

The School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
November 1, 2023

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

Independent Auditors' Report

Board of Trustees
Northside Charter High School

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northside Charter High School's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

PKF O'Connor Davies, LLP

Harrison, New York
November 1, 2023

Northside Charter High School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified?	__X__ yes _____ none reported
Noncompliance material to the financial statements noted?	_____ yes __X__ no

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified?	_____ yes __X__ none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes __X__ no

Identification of major federal programs:

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425D	COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II
84.425U	COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	_____ yes __X__ no

<u>Section II – Financial Statement Findings</u>

2023-001- Revenue Recognition for Cost-Reimbursement Grants *(repeat finding)*

Criteria
Revenue from federal cost-reimbursement grants should be recorded when actual expenditures are incurred during the grant period and tagged to a funding source in the accounting software throughout the fiscal year.

Condition
The School recognized federal cost-reimbursement grants, passed through New York State Department of Education, outside of the grant period. Grant management practices were performed as part of the fiscal year end closing but not throughout the fiscal year.

Cause
Management was not monitoring grant management policies and procedures during the year and at year-end closing.

Effect
Ineffective monitoring of grants resulted in misstatement of revenue on interim and year-end financial statements. Audit journal entries were made to the trial balance, initially provided for our audit, to adjust revenue and recognize grants and contracts receivable.

Recommendation
Revenue from federal cost-reimbursement grants should be recognized when earned and grant management procedures should be performed monthly to ensure that grant billings are adequately supported, recorded on a timely basis, and reflect the terms and conditions of the grant. In addition, a member of the finance and operations team should review and verify, monthly, that program expenditures are tagged in the accounting software for each funding source and ensure that revenue, refundable advances, and grants and contracts receivable are properly recorded in the financial statements. The School should also ensure that expenditures are not double claimed and grant management practices are in compliance with specific grant requirements and with government laws and regulations.

Views of Responsible Officials
See management corrective action plan in Appendix A.

Section II - Financial Statement Findings *(continued)*

2023-002- General Ledger Maintenance and Account Analysis

Criteria
An effective financial closing process provides the School with accurate and timely financial statements. All significant accounts should be reconciled timely and regularly to ensure that financial records are accurate and to facilitate the preparation of financial statements at year end.

Condition
Schedules and reconciliations were not prepared and updated throughout the fiscal year. This delayed management's preparation of the year-end financial statements and the completion of the audit. We noted that improvements are needed in the financial statement closing process to address the timeliness of the School's year-end financial reporting.

Cause
The finance department appears to be understaffed and continual training is required to enable a good understanding of effective internal controls.

Effect
The School's system of internal control is not effective for managing its resources and resulted in difficulties with meeting external deadlines for submission of the audited financial statements.

Recommendation
We recommend the School assess the adequacy of resources in the finance department in relation to its periodic reporting responsibility. The School may consider an increased level of financial analysis of significant accounts on a regular basis, as well as providing additional support to the finance department in the area of financial reporting.

Views of Responsible Officials
See management corrective action plan in Appendix A.

Northside Charter High School

Schedule of Findings and Questioned Costs *(continued)*
Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

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

Section IV – Prior Year Findings

2022-001- Revenue Recognition For Cost-Reimbursement Grants

Criteria
Revenue from federal cost-reimbursement grants should be recorded on the accrual basis of accounting when actual expenditures are incurred and tagged to a funding source in the accounting software throughout the fiscal year.

Condition
The School recognized federal cost-reimbursement grants, passed through New York State Department of Education, on a cash basis. Grant management practices were performed as part of the fiscal year end closing but not throughout the fiscal year.

Status
The condition still exists in fiscal 2023.

NORTHSIDE
CHARTER HIGH SCHOOL
BROOKLYN

Northside Charter High School
424 Leonard Street
Brooklyn, New York 11222

RE : Corrective action plan Northside Charter High School June 30, 2023

Audit Finding: 2023-001 – Revenue Recognition for Cost-Reimbursement Grants

The school recognized federal cost reimbursement grants, passed through New York State Department of Education on a cash basis. Grant management practices were performed as part of fiscal year end closing not throughout the year.

Corrective action plan by Northside:

The school management will ensure that the following process is adhered to as recommended:

Revenue from federal cost reimbursement grants will be recognized when earned.

Grant management procedures are performed monthly as per conditions of the grant and tagged accordingly in accounting software (QuickBooks).

Review and ensure that expenditures are not double claimed, and grant management practices are in compliance with grant requirements and government laws and regulations.

The CFO will review and verify that revenue, refundable advances, grants and contracts receivable are properly recorded in the financial statements every month.

Corrective action plan as outlined above has been implemented by Northside as of November 8, 2023.

NORTHSIDE CHARTER HIGH SCHOOL

DocuSigned by:
Mahmud Ennin
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11/8/2023

By: Mahmud Ennin, CFO

Date

Northside Charter High School
424 Leonard Street
Brooklyn, New York 11222

RE : Corrective action plan Northside Charter High School June 30, 2023

Audit Finding: 2023-002 – General Ledger Maintenance and Account Analysis

Schedules and reconciliations were not prepared and updated throughout the fiscal year. This delayed management's preparation of the year-end financial statements and the completion of the audit. We noted that improvements are needed in the financial statement closing process to address the timeliness of the School's year-end financial reporting

Corrective action plan by Northside:

The school's management will ensure that the following process is adhered to as recommended:

NCHS will optimize the CFO role with internal and external support as necessary and appropriate.

The school management will also assess the adequacy of resources in the finance department in relation to its periodic reporting responsibility. The school will also consider an increased level of financial analysis of significant accounts on a regular basis, as well as providing additional support to the finance department in the area of financial reporting.

Corrective action plan as outlined above has been implemented by Northside as of November 8, 2023.

NORTHSIDE CHARTER HIGH SCHOOL

DocuSigned by:
Mahmud Ennin
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11/8/2023

By: Mahmud Ennin, CFO

Date