

Mott Haven Academy Charter School

Financial Statements
Years Ended June 30, 2023 and 2022

**and Supplemental Schedule of Expenditures
of Federal Awards**
Year Ended June 30, 2023

Mott Haven Academy Charter School

Financial Statements

Years Ended June 30, 2023 and 2022

and Supplemental Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2023

Mott Haven Academy Charter School

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Independent Auditor's Report

The Board of Trustees
Mott Haven Academy Charter School
Bronx, New York

Opinion

We have audited the financial statements of Mott Haven Academy Charter School (the School), 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 accompanying financial statements present fairly, in all material respects, the financial position of the 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 (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 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.

Emphasis of Matter - Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, the School has elected to change its method of accounting for leases in the year ended June 30, 2023 due to the adoption of ASC Topic 842, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 the School's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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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 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



Other Matters

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 (CFR) 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 to 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 to 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 October 30, 2023 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, 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 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.

BDO USA, P.C.

October 30, 2023

Mott Haven Academy Charter School

Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 2,249,196	\$ 1,068,014
Restricted cash	70,388	70,374
Grants and other receivables, net	765,004	1,769,512
Due from New York Foundling Hospital	302,000	604,000
Prepaid expenses and other assets	34,364	43,545
Right-of-use asset, operating leases, net	1,673,670	-
Property and equipment, net	346,516	324,718
Total Assets	\$ 5,441,138	\$ 3,880,163
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 476,195	\$ 458,544
Accrued salaries and other payroll related expenses	688,275	682,543
Operating lease liabilities	1,674,491	-
Due to NYC Department of Education	121,569	31,414
Due to New York Foundling Hospital	-	31,583
Total Liabilities	2,960,530	1,204,084
Commitments and Contingencies (Noted 2, 3, 6, 7, 8, 9 and 10)		
Net Assets		
Without donor restrictions	2,430,608	2,597,027
With donor restrictions	50,000	79,052
Total Net Assets	2,480,608	2,676,079
Total Liabilities and Net Assets	\$ 5,441,138	\$ 3,880,163

See accompanying notes to financial statements.

Mott Haven Academy Charter School

Statement of Activities

<i>Year ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
State and local per pupil operating revenue	\$ 10,778,843	\$ -	\$ 10,778,843
Government grants and contracts	2,490,787	-	2,490,787
Contributions and other grants	771,033	100,000	871,033
New York Foundling Hospital contributions and grants	304,000	-	304,000
Interest and other income	14	-	14
Net assets released from restrictions	129,052	(129,052)	-
Total Revenue and Support	14,473,729	(29,052)	14,444,677
Expenses			
Program services:			
General education	10,682,848	-	10,682,848
Special education	1,872,975	-	1,872,975
Pre-K education	436,677	-	436,677
Total Program Services	12,992,500	-	12,992,500
Supporting services:			
Management and general	1,614,505	-	1,614,505
Fundraising	33,143	-	33,143
Total Expenses	14,640,148	-	14,640,148
Change in Net Assets	(166,419)	(29,052)	(195,471)
Net Assets, beginning of year	2,705,211	(29,132)	2,676,079
Net Assets, end of year	\$ 2,538,792	\$ (58,184)	\$ 2,480,608

See accompanying notes to financial statements.

Mott Haven Academy Charter School

Statement of Activities

<i>Year ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
State and local per pupil operating revenue	\$ 10,119,107	\$ -	\$ 10,119,107
Government grants and contracts	2,290,700	-	2,290,700
Contributions and other grants	211,128	325,743	536,871
New York Foundling Hospital contributions and grants	393,481	604,000	997,481
Interest and other income	14	-	14
Net assets released from restrictions	958,875	(958,875)	-
Total Revenue and Support	13,973,305	(29,132)	13,944,173
Expenses			
Program services:			
General education	9,842,861	-	9,842,861
Special education	1,883,060	-	1,883,060
Pre-K education	412,098	-	412,098
Total Program Services	12,138,019	-	12,138,019
Supporting services:			
Management and general	1,333,226	-	1,333,226
Fundraising	51,453	-	51,453
Total Expenses	13,522,698	-	13,522,698
Change in Net Assets	450,607	(29,132)	421,475
Net Assets, beginning of year	2,254,604	-	2,254,604
Net Assets, end of year	\$ 2,705,211	\$ (29,132)	\$ 2,676,079

See accompanying notes to financial statements.

Mott Haven Academy Charter School

Statement of Functional Expenses

Year ended June 30, 2023

	No. of Positions	Program Services				Management and General	Fundraising	Total
		General Education	Special Education	Pre-K Education	Total Program Services			
Personnel service costs:								
Administrative staff personnel	9	\$ 576,216	\$ 300,292	\$ -	\$ 876,508	\$ 863,490	\$ 22,215	\$ 1,762,213
Instructional personnel	89	5,781,960	670,922	213,000	6,665,882	-	-	6,665,882
Non-instructional personnel	3	110,784	31,932	-	142,716	14,861	-	157,577
Total Salaries and Staff		6,468,960	1,003,146	213,000	7,685,106	878,351	22,215	8,585,672
Payroll taxes and employee benefits								
Payroll taxes and employee benefits		1,306,944	198,700	43,793	1,549,437	180,588	4,567	1,734,592
Retirement benefits		135,354	20,578	4,535	160,467	18,702	473	179,642
Legal services		-	-	-	-	718	-	718
Accounting and audit services		-	-	-	-	255,932	-	255,932
Other purchased, professional, and consulting services		208,086	68,793	20,345	297,224	6,207	111	303,542
Building lease and rent		842,334	128,063	28,225	998,622	116,390	2,944	1,117,956
Repairs and maintenance		38,703	5,884	1,297	45,884	5,348	135	51,367
Insurance		51,527	7,834	1,727	61,088	7,120	180	68,388
Supplies and materials		190,086	59,154	17,258	266,498	6,442	163	273,103
Equipment and furnishings		12,898	4,681	1,411	18,990	1,686	-	20,676
Staff development		249,616	37,950	8,364	295,930	34,491	872	331,293
Marketing and recruitment		162,948	30,399	7,484	200,831	18,830	476	220,137
Technology		78,342	11,911	2,625	92,878	10,825	274	103,977
Food service		341,057	123,776	37,313	502,146	-	-	502,146
Student services		386,443	140,248	42,279	568,970	7,636	-	576,606
Office expense		63,447	9,645	2,126	75,218	45,051	222	120,491
Depreciation		91,504	13,912	3,066	108,482	12,644	320	121,446
Other		54,599	8,301	1,829	64,729	7,544	191	72,464
Total Expenses		\$ 10,682,848	\$ 1,872,975	\$ 436,677	\$ 12,992,500	\$ 1,614,505	\$ 33,143	\$ 14,640,148

See accompanying notes to financial statements.

Mott Haven Academy Charter School

Statement of Functional Expenses

Year ended June 30, 2022

	No. of Positions	Program Services			Total Program Services	Management and General	Fundraising	Total
		General Education	Special Education	Pre-K Education				
Personnel service costs:								
Administrative staff personnel	12	\$ 529,374	\$ 359,384	\$ -	\$ 888,758	\$ 654,469	\$ 22,320	\$ 1,565,547
Instructional personnel	82	5,249,289	661,605	213,000	6,123,894	-	-	6,123,894
Non-instructional personnel	42	237,173	66,935	-	304,108	12,046	12,046	328,200
Total Salaries and Staff	136	6,015,836	1,087,924	213,000	7,316,760	666,515	34,366	8,017,641
Payroll taxes and employee benefits		1,263,254	226,351	45,529	1,535,134	142,468	7,346	1,684,948
Retirement benefits		136,587	24,474	4,923	165,984	15,404	794	182,182
Accounting and audit services		-	-	-	-	237,715	-	237,715
Other purchased, professional, and consulting services		108,506	29,077	9,297	146,880	35,095	176	182,151
Building lease and rent		838,164	150,183	30,208	1,018,555	94,527	4,874	1,117,956
Repairs and maintenance		65,793	11,789	2,371	79,953	7,420	383	87,756
Insurance		46,467	8,326	1,675	56,468	5,240	270	61,978
Supplies and materials		161,074	43,607	14,049	218,730	4,661	240	223,631
Equipment and furnishings		16,340	4,940	1,714	22,994	3,170	-	26,164
Staff development		148,715	26,647	5,360	180,722	16,772	865	198,359
Marketing and recruitment		114,296	20,630	4,204	139,130	12,752	657	152,539
Technology		100,155	17,946	3,610	121,711	11,295	582	133,588
Food service		280,185	84,707	29,389	394,281	-	-	394,281
Student services		392,708	118,725	41,191	552,624	9,814	-	562,438
Office expense		14,576	2,612	525	17,713	54,565	85	72,363
Depreciation		136,751	24,503	4,929	166,183	15,423	795	182,401
Other		3,454	619	124	4,197	390	20	4,607
Total Expenses		\$ 9,842,861	\$ 1,883,060	\$ 412,098	\$ 12,138,019	\$ 1,333,226	\$ 51,453	\$ 13,522,698

See accompanying notes to financial statements.

Mott Haven Academy Charter School

Statements of Cash Flows

<i>Year ended June 30,</i>	2023	2022
Cash Flows from Operating Activities		
Cash received from operating revenue	\$ 14,576,138	\$ 11,659,909
Other cash received	1,175,046	1,534,366
Cash paid to employees and suppliers	(14,426,744)	(13,470,493)
Net Cash Provided by (Used in) Operating Activities	1,324,440	(276,218)
Cash Flows from Investing Activities		
Purchase of property and equipment	(143,244)	(147,822)
Net Increase (Decrease) in Cash	1,181,196	(424,040)
Cash, Cash Equivalents and Restricted Cash, beginning of year	1,138,388	1,562,428
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 2,319,584	\$ 1,138,388
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	\$ (195,471)	\$ 421,475
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	121,446	182,401
Non-cash lease expense	744,047	-
Bad debt expense	66,526	-
Changes in operating assets and liabilities:		
Grants and other receivables	937,982	(919,547)
Due from New York Foundling Hospital	302,000	134,867
Due from NYC Department of Education	-	3,368
Prepaid expenses and other assets	9,181	(9,639)
Accounts payable and accrued expenses	17,651	(218,751)
Accrued salaries and other payroll related expenses	5,732	66,611
Due to NYC Department of Education	90,155	31,414
Due to New York Foundling Hospital	(31,583)	31,583
Principal reduction in lease liabilities	(743,226)	-
Net Cash Provided by (Used in) Operating Activities	\$ 1,324,440	\$ (276,218)
Supplemental Disclosure of Cash Flow Information		
Cash and cash equivalents	\$ 2,249,196	\$ 1,068,014
Restricted cash	70,388	70,374
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 2,319,584	\$ 1,138,388

See accompanying notes to financial statements.

Mott Haven Academy Charter School

Notes to Financial Statements

1. Nature of The Organization

Mott Haven Academy Charter School (the School) is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. The School was granted a provisional charter on January 15, 2008, valid for a term of five years, by the Board of Regents of the University of the State of New York. The charter was renewed through June 30, 2025.

The School opened its doors in the fall of 2008 in South Bronx with a rigorous academic program and a highly structured and supportive school culture. While the School is comprised of students from many backgrounds, it is uniquely designed to meet the needs of at-risk students who receive foster care and prevention services through the New York City child welfare system.

The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii) of the IRC.

The School operates classes for students in kindergarten through eighth grade. The eighth grade was added in fiscal year 2020. The School also has a Pre-K program named "Little Haven" which is funded by the New York City Department of Education (NYCDOE).

2. Significant Accounting Policies

Financial Statement Presentation

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

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets - with donor restrictions or without donor restrictions - be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions - These consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets Without Donor Restrictions - These consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions, and are, therefore, available for general operations.

Mott Haven Academy Charter School

Notes to Financial Statements

The School had \$50,000 and \$79,052 of net assets with donor restrictions at June 30, 2023 and 2022, respectively.

Cash - Restricted

An escrow account in the amount of \$70,388 and \$70,374 was held aside under the provisions of the School's charter to pay for legal and audit expenses that would be associated with a dissolution should it occur, as required by the New York State Education Department as of June 30, 2023 and 2022, respectively.

Grants and Other Receivables

Grants and other receivables represent unconditional promises to give by donors. Grants and other receivables that are expected to be collected within one year and are recorded at net realizable value are \$765,004 and \$1,769,512 at June 30, 2023 and 2022, respectively. The School determined that no allowance for uncollectible accounts for grants and other receivables is necessary at June 30, 2023 and 2022. Such estimate is based on management's assessments and historical information, the aged basis of its receivables, as well as current economic conditions.

Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a measurable barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the School fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets as to time or purpose restrictions.

Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in changes in net assets without donor restrictions in the statement of activities.

Revenue Recognition

Per-Pupil Revenue

The School recognizes revenues from per-pupil funding in the fiscal year in which the academic programs are provided. Per-pupil revenue is billed and received based on the total number of full-time equivalent (FTE) students and the basic charter school tuition rate for the school district of residence of the students attending the School in any given fiscal year for general education and special education. The FTE is formula-driven and based on the number of days the student has been

Mott Haven Academy Charter School

Notes to Financial Statements

with the School as a proportion of the number of days in the entire school year (the calculation is done by using the New York State calculator online). The School's total student population includes general education and special education students. The School has determined that revenue from its students has the same performance obligations, types of contract, and services rendered. As a result, the student body is viewed as one customer base for revenue purposes. The School uses a portfolio approach to account for per-pupil contracts as a collective group rather than recognizing revenue on an individual-contract basis. The School believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Per-pupil invoicing is managed on a bi-monthly basis to the funding source (local school district). Billing is a function of student enrollment for the upcoming fiscal year, which is the basis for the first two invoices per-pupil due June 1st and July 31st, which is a projection. Subsequent invoices are due bi-monthly. With the implementation of an automated-invoicing process through a dedicated website, the submission of each invoice is done online. After the year is complete, the School submits the FTE per-pupil reconciliation, listing every student who attended any part of the year, and the FTE each represents. Based on this final count, it calculates how much should have been paid to the School and included in the reconciliation will be any amounts due from the funding source included in grants and other receivables on the statement of financial position at year end, or any amounts payable to the funding source included as a liability on the statement of financial position at year end, as amounts are tried up to actual based on actual numbers submitted at year end.

Additional funding is also provided to support special education services. All students who are identified to need special education services or settings have an Individualized Education Program (IEP), formalized for his or her unique needs. Based on this IEP, the student is categorized into one of three levels of service: 0-20% service, 20-60% service, or 60% or more service required and provided by the School. For a student receiving less than 20% in services, no additional funding is received. For a student receiving services between 20% and 60% and 60% or more services of the school day, additional funding per FTE is received. Billing for this support is incorporated into the per-pupil invoices and is also settled in the same FTE per-pupil reconciliation process.

As the students receive the benefit of these services simultaneously as the School is providing them, the School recognizes per-pupil revenue from these services over time. The School believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to students receiving academic or school services. The School measures the performance obligation from admission or enrollment into the School to the point when the student is discharged or the end of the school year where it is no longer required to provide services to the student, which is generally at the time of discharge or the completion of the school year. All of these services are bundled and considered a single-performance obligation, and as such, the School accounts for these bundled-performance obligations under state and local per pupil operating revenue in the statement of activities and recognizes the per-pupil revenue over time.

Government Grants

Revenue from federal, state, and local government grants and contracts is recognized by the School when qualifying expenditures are incurred and billable to the government, or when required services have been provided.

Mott Haven Academy Charter School

Notes to Financial Statements

Contract Assets and Contract Liabilities

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. The School does not recognize contract assets, as the right to receive consideration is unconditional in accordance with the passage of time criteria. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. The School does not receive consideration prior to the transfer of goods or services and, therefore, does not recognize contract liabilities.

Contributions of Nonfinancial Assets

The School receives contributed goods and services that are an integral part of its operations. Such support is recorded as contributions in-kind, at their fair value, provided it meets the criteria for recognition. In-kind contributions consist of rent subsidies and are reflected as both income and expense in the accompanying financial statements.

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the lease term. The School has established a \$1,000 threshold above which assets are evaluated to be capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized, based on the established threshold.

Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2023 and 2022.

Advertising

The School expenses advertising costs as incurred. The School incurred \$220,137 and \$152,539 of advertising costs for the years ended June 30, 2023 and 2022, respectively, which is included in the accompanying statements of functional expenses under marketing and recruitment.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the respective programs and activities according to the functional categories, as follows:

Mott Haven Academy Charter School

Notes to Financial Statements

Program Services - This category represents expenses related to general education and special education for certain students requiring additional attention and guidance. These costs are allocated based on the FTE allocation method.

Management and General - This category represents expenses related to the overall administration and operation of the School that are not specific to any program services or development. These costs are allocated based on the FTE allocation method.

Estimates

The preparation of financial statements in conformity with GAAP 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. Actual results could differ from those estimates.

Income Taxes

The School is exempt from federal, state and local income taxes under Section 501(c)(3) of the IRC and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the years ended June 30, 2023 and 2022.

Under GAAP, an organization must recognize the tax benefit associate with tax positions taken for tax-return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School is subject to routine audits by a taxing authority. As of June 30, 2023 and 2022, the School was not subject to any examination by a taxing authority.

Reclassification

Certain amounts in the 2022 financial statements were classified to conform with the 2023 presentation. These reclassifications had no effect on the School's financial position and change in net assets.

Adopted Accounting Pronouncements

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, Accounting for Leases, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and

Mott Haven Academy Charter School

Notes to Financial Statements

uncertainty of cash flows arising from leases. The FASB issued ASU 2020-05, which deferred the effective date for the School until annual periods beginning after December 15, 2021. Effective July 1, 2022, the School adopted this ASU following the modified retrospective method of application, see Note 6.

Recently Issued but not yet Adopted Accounting Pronouncements

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans and certain other instruments, entities will be required to use new forward looking “expected loss” model that generally will result in earlier recognition of credit losses than under today’s incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. The School is currently evaluating the impact of this ASU on its financial statements.

3. Liquidity Management and Availability of Resources

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The School’s financial assets available within one year of the statements of financial position date for general expenditures are as follows:

<i>June 30,</i>	2023	2022
Cash and cash equivalents	\$ 2,249,196	\$ 1,068,014
Restricted cash	70,388	70,374
Grants and other receivables	765,004	1,769,512
Due from New York Foundling Hospital	302,000	604,000
Total Financial Assets Available Within One Year	3,386,588	3,511,900
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	-	(29,052)
Restricted by donors with purpose restrictions	(70,388)	(70,374)
Restricted by donors with time restrictions	(50,000)	(50,000)
Total Financial Assets Available to Management for General Expenditures Within One Year	\$ 3,266,200	\$ 3,362,474

The New York Foundling Hospital (NY Foundling) subsidizes rent and facility costs (see Note 4). In addition, NY Foundling provided contributions and grants to the School totaling \$304,000 and \$997,481 for the years ending June 30, 2023 and 2022, respectively.

Mott Haven Academy Charter School

Notes to Financial Statements

4. Related Party

The School is located at 170 Brown Place, Bronx, New York, 10454. The new LEED certified, environmentally friendly building is leased by NY Foundling. The School subleases a portion of the building from NY Foundling. NY Foundling occupies the remaining space in the building. NY Foundling is a related party and shares two board members with the School.

The School is obligated under a non-cancelable operating sublease for office and classroom space, which originally was to expire on August 31, 2020 but was amended and renewed through August 31, 2025.

5. Property and Equipment, Net

Property and equipment consist of the following:

<i>June, 30</i>	2023	2022	Estimated Useful Lives (Years)
Furniture and fixtures	\$ 299,345	\$ 256,103	7
Computer hardware and software	560,385	462,947	3
Leasehold improvements			Lesser of useful life of asset or lease term
	171,496	171,496	
Equipment	277,297	274,733	3
	1,308,523	1,165,279	
Less: accumulated depreciation	(962,007)	(840,561)	
	\$ 346,516	\$ 324,718	

Depreciation expense for the years ended June 30, 2023 and 2022 was \$121,446 and \$182,401, respectively.

6. Leases

The School has adopted the provisions of ASC 842, *Leases*. For leases with initial terms of greater than one year (or initially, greater than one year remaining under the lease at the date of the adoption of ASC 842), the School records the related right-of-use assets and liabilities at the present value of the remaining lease payments to be paid over the life of the related lease. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the present value of the remaining lease payments unless the School is reasonably certain to exercise the option to extend the lease. The lease require monthly payments of principal and interest at a rate averaging from 2.87%. The present value of the lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which a discount rate is not readily available, the organization has elected to use the risk-free rate plus a reasonable premium comparative for entities of similar risk. The School has made an accounting policy election not to separate lease components from non-lease components in contracts when determining its lease payments for all of its asset classes, as permitted by ASC 842. As such, the School accounts for the applicable non-lease components together with the related lease components when determining the right-of-use assets and liabilities. The School has made an accounting policy

Mott Haven Academy Charter School

Notes to Financial Statements

election not to record leases with an initial term of less than one year as right-of-use assets and liabilities in the statements of financial position.

On August 1, 2020, the School entered into a contract to lease equipment to be used as part of the School's operations. Additionally, on January 30, 2021, the School entered into a second leasing contract for space to be used as part of the School's operations. Finally, on September 29, 2021, the School entered into third contract for the lease of another equipment, also to be used as part of the School's operations. All three lease contracts are deemed to be operating leases based on the underlying terms of the agreements and the criteria included in ASC 842.

The following tables summarize information related to the lease assets and liabilities:

Year ended June 30, 2023

Lease Costs

Operating lease cost:		
Amortization of right-of-use assets	\$	744,047
Interest on lease liabilities		67,240
Total Lease Cost	\$	811,287

Year ended June 30, 2023

Right-of-use assets and liabilities:		
Operating lease right-of-use assets, net of amortization	\$	1,673,670
Operating lease liabilities	\$	1,674,491

Weighted-average remaining lease term - operating leases (years)	3.00
Weighted-average discount rate - operating leases (%)	2.87%

For operating leases, right-of-use assets are recorded in right-of-use assets, operating lease net and lease liabilities are recorded in operating lease liabilities in the accompanying statements of financial position. Amortization expense and interest expense are recorded as a component of building lease and rent expense within statement of functional expense.

The following is a schedule of future minimum lease payments, including interest, under the term of the leases, together with the present value of the net minimum lease payments, as of June 30, 2023:

Year ending June 30, 2023

2024	\$	803,474
2025		796,484
2026		133,274
Total Minimum Lease Payments		1,733,232
Less: imputed interest		(58,741)
Present Value of Net Minimum Lease Payments	\$	1,674,491

Mott Haven Academy Charter School

Notes to Financial Statements

7. Employee Benefits

The School adopted a 401(k) retirement plan (the Plan) which covers most of the employees. The Plan is a defined contribution plan. Employees are eligible to enroll in the Plan either the first day of the Plan year or the first day of the seventh month of the Plan year. Those employees who have completed at least one full year of service are also eligible for employer contributions. The Plan provides for the School to contribute up to 4% of participating employee salaries. The School contribution becomes fully vested after the first year. For the years ended June 30, 2023 and 2022, employer contribution expense for the School was \$179,642 and \$182,182, respectively, which is included in retirement benefits in the accompanying statements of functional expenses.

8. Risk Management

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks. The School also intends to defend its positions on these matters. As of June 30, 2023 and 2022, there are no matters for which the School believes the ultimate outcome would have a material adverse effect on the School's financial position.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund. The School is of the opinion that such cost disallowances, if any, will not have a material effect in the School's financial statements and will record them in the fiscal year they become known.

9. Concentration Risks

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

The School received approximately 75% and 73% of its total revenue from per-pupil funding from the NYCDOE during the years ending June 30, 2023 and 2022, respectively. The School received approximately 2% and 5% of its total revenue from NY Foundling during both the years ending June 30, 2023 and 2022.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are purpose and time restricted and consist of the following:

<i>June 30,</i>	2023		2022	
Haven Kids rock music program	\$	-	\$	23,058
Mental health services		-		5,994
Time restriction		50,000		50,000
Total Net Assets with Donor Restrictions	\$	50,000	\$	79,052

Mott Haven Academy Charter School

Notes to Financial Statements

Net assets were released from restrictions by incurring expenses and the passing of time, thus satisfying the restrictions as follows:

<i>June 30,</i>	2023	2022
Alumni support and college readiness	\$ -	\$ 300,000
Family coordinator and school nurse	-	5,048
Mental health services	5,994	206,630
Support services/social worker and behavior specialist	-	126,000
After school program	-	178,000
Haven Kids rock music program	23,058	47,822
COVID-19	-	11,000
Classroom furnishing	-	16,000
PD Fellows	-	18,375
Walton Family Foundation	50,000	-
Time restriction - 2023	50,000	-
Time restriction - 2022	-	50,000
Total Released from Restrictions	\$ 129,052	\$ 958,875

11. Subsequent Events

The School has evaluated events through October 30, 2023, which is the date the financial statements were available to be issued.

Supplementary Information

Mott Haven Academy Charter School

Schedule of Expenditure of Federal Awards

Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Cluster or Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
United States (U.S) Department of Education				
Passed through the New York State				
Education Department:				
Title I - Grants to Local Educational Agencies (Title I Part A of the ESEA)	84.010	Not Applicable	\$ -	\$ 285,019
Title II - Supporting Effective Instruction State Grants	84.367	Not Applicable	-	32,826
Title IV - Student Support and Academic Enrichment Program	84.424	Not Applicable	-	21,397
Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public School (CRRSA EANS) Program	84.425R	Not Applicable	-	355,593
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	Not Applicable	-	957,807
Special Education Cluster (IDEA): Education - Grants to States (IDEA, Part B)	84.027	Not Applicable	-	107,861
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	Not Applicable	-	16,588
Total U.S. Department of Education			-	1,777,091
U.S. Department of Agriculture				
Passed through the New York State				
Education Department:				
School Breakfast Program	10.553	Not Applicable	-	92,961
National School Lunch Program	10.555	Not Applicable	-	407,888
Fresh Fruit and Vegetable Program	10.582	Not Applicable	-	25,567
Total U.S. Department of Agriculture			-	526,416
Universal Services Administrative Co.				
Emergency Connectivity Fund	32.009	Not Applicable	-	108,482
Total Universal Services Administrative Co.			-	108,482
Total Expenditures of Federal Awards			\$ -	\$ 2,411,989

The accompanying notes are an integral part of this schedule.

Mott Haven Academy Charter 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 Mott Haven Academy Charter 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* (CFR) 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 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% de minimis indirect cost rate allowed under the Uniform Guidance.



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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*

The Board of Trustees
Mott Haven Academy Charter School
Bronx, New York

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 Mott Haven Academy Charter School (the School), 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, and have issued our report thereon dated October 30, 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. 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 or significant deficiencies 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.

BDO USA, P.C.

October 30, 2023



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

The Board of Trustees
Mott Haven Academy Charter School
Bronx, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mott Haven Academy Charter School's (the School) compliance with the types of compliance requirements described 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 program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 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 (GAAS); 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 Auditor's 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.



Auditor's 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 GAAS, *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 GAAS, *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 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 Auditor's 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.

BDO USA, P.C.

October 30, 2023

Mott Haven Academy Charter School

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

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's 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 No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425R	Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public School (CRRSA EANS) Program
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Section 2. Financial Statement Findings

There were no findings related to the financial statements that are required to be reported, in accordance with generally accepted government auditing standards.

Section 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.