



New York City School Bus Umbrella Services

NYC SCHOOL BUS UMBRELLA SERVICES, INC.

(A Component Unit of The City of New York)

FINANCIAL STATEMENTS

(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2023 AND 2022

**NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)**

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
NYC School Bus Umbrella Services, Inc.
Brooklyn, NY

Opinions

We have audited the financial statements of the governmental activities and general fund of NYC School Bus Umbrella Services, Inc. ("NYCSBUS"), a component unit of The City of New York, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements which collectively comprise NYCSBUS's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and general fund of NYCSBUS as of June 30, 2023 and 2022, and the respective changes in its net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 NYCSBUS 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 opinions.

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 NYCSBUS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS 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 audits 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 NYCSBUS'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 NYCSBUS'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the schedule of employer's required contributions on page 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mayer Hoffman McCann CPAs

New York, NY
October 19, 2023

**NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

(Unaudited)

NYC School Bus Umbrella Services, Inc. ("NYCSBUS" or the "Corporation") began operations on September 10, 2020 and has a contract with The City of New York ("City") that was registered on January 1, 2021. The contract shall extend through and terminates on June 30, 2026. Pursuant to this contract, NYCSBUS receives monthly payments that cover its projected expenses for the forthcoming month and these contractual payments are NYCSBUS's primary source of revenue.

The following is a narrative overview and analysis of the financial activities of NYCSBUS for the fiscal years ended June 30, 2023 and 2022. It should be read in conjunction with NYCSBUS's government-wide financial statements, general fund financial statements and the notes to the financial statements. The financial statements consist of four parts: (1) required supplementary information, including management's discussion and analysis (this section), and pension information; (2) the government-wide financial statements; (3) the general fund financial statements; and (4) the notes to financial statements.

The government-wide financial statements, which include the statements of net position and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of NYCSBUS's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

NYCSBUS's general fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for accrued vacation and sick pay and lease liability, which are not reflected as a liability in the general fund financial statements as they are not due and payable from current financial resources.

The reconciliation of the general fund balance sheets to the statements of net position, and the reconciliation of the general fund statements of revenues, expenditures and changes in fund balance to the statements of activities are presented to assist the reader in understanding the differences between the government-wide and general fund financial statements.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS

Key financial highlights for the fiscal years ended June 30, 2023 and 2022 are as follows:

- ❖ NYCSBUS reported an increase in cash and cash equivalents, including restricted cash and cash equivalents, of \$9.6 million due to advances from the City being greater than expenditures incurred as part of the Asset Purchase Agreement dated June 22, 2021, NYCSBUS and Reliant Transportation, Inc. agreed to provide the Division 1181 ATU - New York Employees' Pension Fund (the "Local 1181 Fund") with security in the form of a bond or escrow under Employee Retirement Income Security Act of 1974 ("ERISA") Section 4204 for the first plan year after the Closing Date and for each of the four plan years thereafter. NYCSBUS contributed approximately \$2.88 million as its share of the escrow funding.
- ❖ Salaries and related benefits expenses related to NYCSBUS's operations increased due to a full year's activity during fiscal year 2023 compared to 9-months in fiscal year 2022. Fiscal year 2023 also reflected salary increases for union and non-union employees as well as increased overtime and bonus payout.

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

- ❖ On the government-wide financial statements, the assets of NYCSBUS exceeded its liabilities at the close of the most recent fiscal year by \$10,355,002. Net position decreased by \$(3,318,871) due to expenses greater than revenue sources during the year, mainly due to the recognition of depreciation and amortization as noncash expense. In fiscal year 2022, the overall change in net position was an increase of \$13,673,873 due to NYCSBUS recognizing \$12.8 million in other income relating to the assumption of potential future pension liabilities, which was recognized with the purchase of assets from the private bus company who had previously provided school bus transportation services to New York City Department of Education (“DOE”).

The following summarizes the revenues and expenses related to the governmental activities of NYCSBUS for the years ended June 30, 2023, 2022 and 2021. The non-operating component in fiscal year 2021 is made up of all costs related to organizational startup and acquisition of the buses. These are non-recurring costs and are shown separately to help the reader understand the cost of operating NYCSBUS on an ongoing basis.

	<u>Operating</u>	<u>Non-operating</u>	<u>2023</u>	<u>Operating</u>	<u>Non-operating</u>	<u>2022</u>	<u>Operating</u>	<u>Non-operating</u>	<u>2021</u>
REVENUES:									
New York City Department of Education:									
Program revenues	\$173,917,507	-	\$173,917,507	\$ 124,156,506	\$ 8,169,781	\$132,326,287	\$ -	\$ 6,023,173	\$ 6,023,173
Capital reimbursements	-	-	-	-	5,466,833	5,466,833	-	-	-
Grant income	135,551	-	135,551	-	-	-	-	-	-
Other income	221,606	-	221,606	12,757,656	-	12,757,656	-	-	-
Interest income	147,895	-	147,895	35,987	-	35,987	-	-	-
	<u>174,422,559</u>	<u>-</u>	<u>174,422,559</u>	<u>136,950,149</u>	<u>13,636,614</u>	<u>150,586,763</u>	<u>-</u>	<u>6,023,173</u>	<u>6,023,173</u>
TOTAL REVENUES									
EXPENSES:									
Salaries and employee benefits - program	131,700,548	-	131,700,548	94,904,945	-	94,904,945	-	-	-
Salaries and employee benefits - administrative	3,823,193	-	3,823,193	1,873,699	-	1,873,699	-	121,963	121,963
Professional fees	1,910,733	-	1,910,733	4,068,172	8,169,781	12,237,953	-	5,807,031	5,807,031
Occupancy	3,468,972	-	3,468,972	1,267,410	-	1,267,410	-	-	-
Vehicle maintenance and operation	11,649,960	-	11,649,960	10,188,924	-	10,188,924	-	-	-
Insurance	18,183,953	-	18,183,953	11,974,556	-	11,974,556	-	2,274	2,274
Depreciation and amortization	4,829,967	-	4,829,967	3,248,269	-	3,248,269	-	-	-
Interest expense	300,068	-	300,068	224,915	-	224,915	-	-	-
Office and other expenses	1,874,036	-	1,874,036	992,219	-	992,219	-	91,905	91,905
	<u>177,741,430</u>	<u>-</u>	<u>177,741,430</u>	<u>128,743,109</u>	<u>8,169,781</u>	<u>136,912,890</u>	<u>-</u>	<u>6,023,173</u>	<u>6,023,173</u>
TOTAL EXPENSES									
CHANGE IN NET POSITION	<u>\$ (3,318,871)</u>	<u>\$ -</u>	<u>\$ (3,318,871)</u>	<u>\$ 8,207,040</u>	<u>\$ 5,466,833</u>	<u>\$ 13,673,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended June 30, 2023, NYCSBUS had received approximately \$173.9 million in contract revenue from the DOE, that funded cost of service provided during the year. Program revenue is paid monthly and is based on projected subsequent month expenditures currently due and payable. As a result, NYCSBUS's net deficit at year-end of \$3.3 million is equal to non-cash adjustments for depreciation and lease amortization, accrued vacation and sick pay and principal adjustment on long-term debt (leases).

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2022, NYCSBUS had received approximately \$137.8 million in contract revenue from the DOE. Of the funding received, \$124.1 million primarily funded the cost of services provided during the year, \$8.2 million related to non-operating expenses from certain initial year costs, as described earlier, and \$5.5 million was primarily for the purchase of school buses.

The following summarizes the governmental activities of NYCSBUS for the years ended June 30:

	2023	2022	2021	Variance	
				2023/22	2022/21
REVENUES:					
New York City Department of Education:					
Program revenues	\$ 173,917,507	\$ 132,326,287	\$ 6,023,173	\$ 41,591,220	\$ 126,303,114
Capital reimbursements	-	5,466,833	-	(5,466,833)	5,466,833
Grant income	135,551	-	-	135,551	-
Other income	221,606	12,757,656	-	(12,536,050)	12,757,656
Interest income	147,895	35,987	-	111,908	35,987
	<u>174,422,559</u>	<u>150,586,763</u>	<u>6,023,173</u>	<u>23,835,796</u>	<u>144,563,590</u>
TOTAL REVENUES					
EXPENSES:					
Salaries and employee benefits - program	131,700,548	94,904,945	-	36,795,603	94,904,945
Salaries and employee benefits - administrative	3,823,193	1,873,699	121,963	1,949,494	1,751,736
Professional fees	1,910,733	12,237,953	5,807,031	(10,327,220)	6,430,922
Occupancy	3,468,972	1,267,410	-	2,201,562	1,267,410
Vehicle maintenance and operation	11,649,960	10,188,924	-	1,461,036	10,188,924
Insurance	18,183,953	11,974,556	2,274	6,209,397	11,972,282
Depreciation and amortization	4,829,967	3,248,269	-	1,581,698	3,248,269
Interest expense	300,068	224,915	-	75,153	224,915
Office and other expenses	1,874,036	992,219	91,905	881,817	900,314
	<u>177,741,430</u>	<u>136,912,890</u>	<u>6,023,173</u>	<u>40,828,540</u>	<u>130,889,717</u>
TOTAL EXPENSES					
CHANGE IN NET POSITION	<u>\$ (3,318,871)</u>	<u>\$ 13,673,873</u>	<u>\$ -</u>	<u>\$ (16,992,744)</u>	<u>\$ 13,673,873</u>

At the end of the fiscal year, payments and expenses are adjusted to reflect actual costs incurred by NYCSBUS. Therefore, NYCSBUS's revenues match its expenses, except for capital outlays, depreciation and amortization, the change in the accrued vacation and sick pay liability, issuance of long-term debt (leases), repayment of principal of long-term debt (leases), and contributions related to capital assets. The general fund reports capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and are reported as depreciation and amortization expense. The accrued vacation and sick pay liability are not due and payable from current financial resources and are not currently funded by program revenues from the City. The issuance of long-term debt (leases) provides current financial resources to the general fund, while the repayment of the principal of long-term debt consumes the current financial resources of the general fund. Contributions related to capital assets are not recorded in the general fund statements because they are not considered current financial resources.

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

During fiscal years 2023 and 2022, NYCSBUS received \$173.9 million and \$137.8 million, respectively, in contractual revenue from the City. Program revenue is paid monthly and is based on projected subsequent month expenses. The increase during fiscal year 2023 had been a result of NYCSBUS operating the transportation services to students who are served by DOE in fiscal year 2023 for 12-months as opposed to 9-months in 2022.

During fiscal years 2022 and 2021, NYCSBUS received \$137.8 million and \$6 million, respectively, in contractual payments from the City. Program revenue is paid monthly and is based on projected subsequent month expenses. The increase during fiscal year 2022 from 2021 had been a result of NYCSBUS beginning to operate transportation services to students who are served by DOE in fiscal year 2022.

Total expenses primarily consisted of salaries and benefits for NYCSBUS administrative workers and drivers and attendants, professional fees and insurance costs in connection with NYCSBUS accomplishing its mission and starting up operations. Of salaries and benefits, \$131,700,548 and \$94,904,945 had been directly related to transportation services provided to the DOE, and \$3,823,193 and \$1,873,699 was for administrative overhead for the years ended June 30, 2023 and 2022, respectively. Expenses incurred during fiscal years 2023 and 2022 were approximately \$177.7 million and \$136.9 million, respectively. Increases in expenses is as a result of NYCSBUS operating the transportation services to students who are served by The City School District of The City of New York in fiscal year 2023 for 12-months as opposed to 9-months in 2022. Decrease in professional fees in 2023 is as a result of costs related to organizational startup and acquisition of the buses included in professional fees in 2022 and 2021.

The following summarizes the assets, liabilities and net position as of June 30:

	2023	2022	2021	Variance	
				2023/22	2022/21
ASSETS:					
Unrestricted cash and cash equivalents	\$ 12,136,423	\$ 5,197,391	\$ 70,062	\$ 6,939,032	\$ 5,127,329
Restricted cash and cash equivalents	6,556,976	3,902,458	-	2,654,518	3,902,458
Accounts receivable	-	-	6,023,173	-	(6,023,173)
Other receivables	849,213	1,379,429	-	(530,216)	1,379,429
Prepaid expenses and other assets	12,817,616	16,647,243	5,349	(3,829,627)	16,641,894
Security deposits	387,015	387,015	-	-	387,015
Capital assets:					
Depreciable, net	10,996,665	14,012,533	-	(3,015,868)	14,012,533
Lease assets, net	4,933,052	6,747,151	-	(1,814,099)	6,747,151
TOTAL ASSETS	48,676,960	48,273,220	6,098,584	403,740	42,174,636
LIABILITIES:					
Accounts payable and accrued expenses	1,686,158	3,213,922	5,907,584	(1,527,764)	(2,693,662)
Accrued salaries and employee benefits	1,315,442	2,636,464	-	(1,321,022)	2,636,464
Unearned revenue	29,745,643	21,663,150	-	8,082,493	21,663,150
Accrued vacation and sick pay	318,174	172,846	-	145,328	172,846
Current portion of lease liability	1,801,523	1,656,423	-	145,100	1,656,423
Noncurrent portion of lease liability	3,455,018	5,256,542	-	(1,801,524)	5,256,542
Loan payable	-	-	191,000	-	(191,000)
TOTAL LIABILITIES	38,321,958	34,599,347	6,098,584	3,722,611	28,500,763
TOTAL NET POSITION	\$ 10,355,002	\$ 13,673,873	\$ -	\$ (3,318,871)	\$ 13,673,873

**NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

As of June 30, 2023 and 2022, NYCSBUS's assets totaled \$48.7 million and \$48.3 million, respectively. Cash, including restricted cash, increased because of unearned revenues from the Department of Education as well as NYCSBUS's share of deposits into escrow as part of the asset purchase agreement dated June 22, 2021, under ERISA section 4204 for the Local 1181 Fund. Liabilities as of June 30, 2023 and 2022 were \$38.3 and \$34.6 million, respectively. Liabilities increased because of unearned revenue from the Department of Education, netted by a decrease in lease liability for ongoing repayment, as well as accounts payable and accrued expenses from the timing of cash outflows.

As of June 30, 2021, NYCSBUS's assets totaled \$6.1 million, primarily consisted of receivables from the DOE. Liabilities as of June 30, 2021 were \$6.1 million, and primarily consisted of accounts payable and accrued expenses of \$5.9 million. NYCSBUS recognized a receivable for the amount of cash due from the Department of Education in 2021, as compared to 2022 where NYCSBUS recognized unearned revenue for the cash received in excess of expenditures.

NYCSBUS's June 30, 2023 net position of \$10,355,002, consisted of \$10,673,176 invested in capital assets (net of related lease liabilities), \$15,639,662 was restricted for potential future pension liabilities, \$3,674,969 was restricted for letter of credit for insurance carrier, and (\$19,632,805) was unrestricted (deficit).

NYCSBUS's June 30, 2022 net position of \$13,673,873, consisted of \$13,846,719 invested in capital assets (net of related lease liabilities), \$12,757,656 was restricted for potential future pension liabilities, \$3,645,359 was restricted for letter of credit for insurance carrier, \$257,000 was restricted for asset purchase agreement and (\$16,832,861) was unrestricted (deficit).

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

The following summarizes the changes in the general fund ("GF") for the years ended June 30:

	2023	2022	2021	Variance	
				2023/22	2022/21
REVENUES:					
New York City Department of Education:					
Program revenues	\$ 173,917,507	\$ 132,326,287	\$ 6,023,173	\$ 41,591,220	\$ 126,303,114
Capital reimbursements	-	5,466,833	-	(5,466,833)	5,466,833
Grant income	135,551	-	-	135,551	-
Other income	221,606	2,093,031	-	(1,871,425)	2,093,031
Interest income	147,895	35,987	-	111,908	35,987
TOTAL REVENUES	174,422,559	139,922,138	6,023,173	34,500,421	133,898,965
EXPENDITURES:					
Current:					
Salaries and employee benefits - program	131,555,220	94,732,099	-	36,823,121	94,732,099
Salaries and employee benefits - administrative	3,823,193	1,873,699	121,963	1,949,494	1,751,736
Professional fees	1,910,733	12,237,953	5,807,031	(10,327,220)	6,430,922
Occupancy	3,468,972	1,267,410	-	2,201,562	1,267,410
Vehicle maintenance and operations	11,649,960	10,188,924	-	1,461,036	10,188,924
Insurance	18,183,953	11,974,556	2,274	6,209,397	11,972,282
Office and other expenses	1,874,036	992,219	91,905	881,817	900,314
Debt service:					
Principal	1,656,424	963,530	-	692,894	963,530
Interest	300,068	224,915	-	75,153	224,915
Capital Outlay	-	13,343,328	-	(13,343,328)	13,343,328
TOTAL EXPENDITURES	174,422,559	147,798,633	6,023,173	26,623,926	141,775,460
Excess of expenditures over revenues	-	(7,876,495)	-	7,876,495	(7,876,495)
OTHER FINANCING SOURCES:					
Issuance of lease financing	-	7,876,495	-	(7,876,495)	7,876,495
Total other financing sources	-	7,876,495	-	(7,876,495)	7,876,495
NET CHANGE IN FUND BALANCE	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

Revenues recorded in the GF are primarily composed of contractual payments from the City each year. Program revenue is paid monthly and is based on actual monthly expenditures. As such, there is no change in fund balance created.

Total expenditures primarily consisted of salaries and employee benefits for NYCSBUS bus drivers, attendants, and administration, as well as insurance costs in connection with NYCSBUS accomplishing its mission. Expenditures incurred during fiscal years 2023 and 2022 were \$174.4 million and \$147.8 million, respectively. Overall, the increase in expenditures had been a result of NYCSBUS operating the transportation services to students who are served by DOE in fiscal year 2023 for 12-months as opposed to 9-months in 2022. Professional fees decreased in 2023 due to costs related to organizational startup and acquisition of the buses included in professional fees in 2022.

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

The following summarizes the GF assets, liabilities and fund balances as of June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Variance</u>	
				<u>2023/22</u>	<u>2022/21</u>
ASSETS:					
Unrestricted cash and cash equivalents	\$ 12,136,423	\$ 5,197,391	\$ 70,062	\$ 6,939,032	\$ 5,127,329
Restricted cash and cash equivalents	6,556,976	3,902,458	-	2,654,518	3,902,458
Accounts receivable	-	-	6,023,173	-	(6,023,173)
Other receivables	849,213	1,379,429	-	(530,216)	1,379,429
Prepaid expenses and other assets	12,817,616	16,647,243	5,349	(3,829,627)	16,641,894
Security deposits	<u>387,015</u>	<u>387,015</u>	<u>-</u>	<u>-</u>	<u>387,015</u>
TOTAL ASSETS	<u>\$ 32,747,243</u>	<u>\$ 27,513,536</u>	<u>\$ 6,098,584</u>	<u>\$ 5,233,707</u>	<u>\$ 21,414,952</u>
LIABILITIES:					
Accounts payable and accrued expenses	\$ 1,686,158	\$ 3,213,922	\$ 5,907,584	\$ (1,527,764)	\$ (2,693,662)
Accrued salaries and employee benefits	1,315,442	2,636,464	-	(1,321,022)	2,636,464
Unearned revenue	29,745,643	21,663,150	-	8,082,493	21,663,150
Loan payable	<u>-</u>	<u>-</u>	<u>191,000</u>	<u>-</u>	<u>(191,000)</u>
TOTAL LIABILITIES	<u>32,747,243</u>	<u>27,513,536</u>	<u>6,098,584</u>	<u>5,233,707</u>	<u>21,414,952</u>
FUND BALANCE					
Nonspendable	13,204,631	17,034,258	-	(3,829,627)	17,034,258
Restricted	6,556,976	3,902,458	-	2,654,518	3,902,458
Unassigned	<u>(19,761,607)</u>	<u>(20,936,716)</u>	<u>-</u>	<u>1,175,109</u>	<u>(20,936,716)</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 32,747,243</u>	<u>\$ 27,513,536</u>	<u>\$ 6,098,584</u>	<u>\$ 5,233,707</u>	<u>\$ 21,414,952</u>

The GF assets at June 30, 2023 and 2022 were \$32.7 million and \$27.5 million, respectively. The assets recorded in the GF as of June 30, 2023 and 2022, respectively, are unrestricted cash and cash equivalents, restricted cash and cash equivalents, other receivables for payroll taxes due to NYCSBUS, prepaid expenditures primarily consisting of prepaid insurance and other assets primarily consisting of refundable sales tax and security deposits held for NYCSBUS's leases.

The total GF liabilities at June 30, 2023 and 2022 were \$32.7 million and \$27.5 million, respectively. The liabilities in the GF as of June 30, 2023 and 2022, respectively are accounts payable and accrued expenses, unearned revenues from DOE, resulting from the timing of the collection of cash receipts before incurring expenses for programs during the fiscal year and accrued salaries and employee benefits.

As program revenue is paid monthly and is based on actual monthly expenditures, the GF fund balance was zero as of June 30, 2023 and 2022.

This financial report is designed to provide a general overview of NYCSBUS's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to the Chief Executive Officer, NYC School Bus Umbrella Services, Inc., 297 Norman Avenue, Brooklyn, NY 11222.

* * *

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

ASSETS:	<u>2023</u>	<u>2022</u>
Unrestricted cash and cash equivalents (Note 3)	\$ 12,136,423	\$ 5,197,391
Restricted cash and cash equivalents (Note 3)	6,556,976	3,902,458
Other receivables	849,213	1,379,429
Prepaid expenses and other assets	12,817,616	16,647,243
Security deposits	387,015	387,015
Capital assets (Note 4):		
Depreciable, net	10,996,665	14,012,533
Lease assets, net	<u>4,933,052</u>	<u>6,747,151</u>
TOTAL ASSETS	<u>48,676,960</u>	<u>48,273,220</u>
LIABILITIES:		
Accounts payable and accrued expenses	1,686,158	3,213,922
Accrued salaries and employee benefits	1,315,442	2,636,464
Unearned revenue	29,745,643	21,663,150
Accrued vacation and sick pay	318,174	172,846
Current portion of lease liability (Note 5)	1,801,523	1,656,423
Noncurrent portion of lease liability (Note 5)	<u>3,455,018</u>	<u>5,256,542</u>
TOTAL LIABILITIES	<u>38,321,958</u>	<u>34,599,347</u>
NET POSITION (Note 2B):		
Net investment in capital assets	10,673,176	13,846,719
Restricted for potential future pension costs (Notes 1 and 3)	15,639,662	12,757,656
Restricted for letter of credit for insurance carrier (Note 3)	3,674,969	3,645,359
Restricted for asset purchase agreement (Note 3)	-	257,000
Unrestricted	<u>(19,632,805)</u>	<u>(16,832,861)</u>
TOTAL NET POSITION	<u>\$ 10,355,002</u>	<u>\$ 13,673,873</u>

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

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES:		
New York City Department of Education:		
Program revenues	\$ 173,917,507	\$ 132,326,287
Capital reimbursements	-	5,466,833
Grant income	135,551	-
Other income (Note 1)	221,606	12,757,656
Interest income	147,895	35,987
Total revenues	174,422,559	150,586,763
EXPENSES:		
Salaries and employee benefits - program (Note 6)	131,700,548	94,904,945
Salaries and employee benefits - administrative (Note 6)	3,823,193	1,873,699
Professional fees (Note 1)	1,910,733	12,237,953
Occupancy (Note 5)	3,468,972	1,267,410
Vehicle maintenance and operations	11,649,960	10,188,924
Insurance	18,183,953	11,974,556
Depreciation and amortization (Note 4)	4,829,967	3,248,269
Interest expense (Note 5)	300,068	224,915
Office and other expenses	1,874,036	992,219
Total expenses	177,741,430	136,912,890
Changes in net position	(3,318,871)	13,673,873
Net position - beginning of year	13,673,873	-
Net position - end of year	\$ 10,355,002	\$ 13,673,873

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

GENERAL FUND BALANCE SHEETS
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS:		
Unrestricted cash and cash equivalents	\$ 12,136,423	\$ 5,197,391
Restricted cash and cash equivalents	6,556,976	3,902,458
Other receivables	849,213	1,379,429
Prepaid expenses and other assets	12,817,616	16,647,243
Security deposits	387,015	387,015
TOTAL ASSETS	\$ 32,747,243	\$ 27,513,536
 LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,686,158	\$ 3,213,922
Accrued salaries and employee benefits	1,315,442	2,636,464
Unearned revenue	29,745,643	21,663,150
TOTAL LIABILITIES	32,747,243	27,513,536
 FUND BALANCE:		
Nonspendable	13,204,631	17,034,258
Restricted	6,556,976	3,902,458
Unassigned	(19,761,607)	(20,936,716)
TOTAL FUND BALANCE	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 32,747,243	\$ 27,513,536

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

**RECONCILIATION OF THE GENERAL FUND BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022**

	2023	2022												
Total fund balance - general fund	\$ -	\$ -												
<p>Amounts reported for governmental activities in the statements of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation and amortization. Capital assets consisted of:</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Depreciable, net</td> <td style="width: 20%; text-align: right;">10,996,665</td> <td style="width: 20%; text-align: right;">14,012,533</td> </tr> <tr> <td>Lease assets, net</td> <td style="text-align: right;">4,933,052</td> <td style="text-align: right;">6,747,151</td> </tr> </table> <p>Some liabilities are not due and payable in the current period from currently available financial resources and therefore are not reported in the general fund financial statements. These liabilities consist of:</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Accrued vacation and sick pay</td> <td style="width: 20%; text-align: right;">(318,174)</td> <td style="width: 20%; text-align: right;">(172,846)</td> </tr> <tr> <td>Lease liability</td> <td style="text-align: right;">(5,256,541)</td> <td style="text-align: right;">(6,912,965)</td> </tr> </table>			Depreciable, net	10,996,665	14,012,533	Lease assets, net	4,933,052	6,747,151	Accrued vacation and sick pay	(318,174)	(172,846)	Lease liability	(5,256,541)	(6,912,965)
Depreciable, net	10,996,665	14,012,533												
Lease assets, net	4,933,052	6,747,151												
Accrued vacation and sick pay	(318,174)	(172,846)												
Lease liability	(5,256,541)	(6,912,965)												
Net position of governmental activities	\$ 10,355,002	\$ 13,673,873												

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

**GENERAL FUND STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
REVENUES:		
New York City Department of Education:		
Program revenues	\$ 173,917,507	\$ 132,326,287
Capital reimbursements	-	5,466,833
Grant income	135,551	-
Other income (Note 1)	221,606	2,093,031
Interest income	<u>147,895</u>	<u>35,987</u>
Total revenues	<u>174,422,559</u>	<u>139,922,138</u>
EXPENDITURES:		
Current:		
Salaries and employee benefits - program	131,555,220	94,732,099
Salaries and employee benefits - administrative	3,823,193	1,873,699
Professional fees	1,910,733	12,237,953
Occupancy	3,468,972	1,267,410
Vehicle maintenance and operations	11,649,960	10,188,924
Insurance	18,183,953	11,974,556
Office and other expenses	1,874,036	992,219
Debt service:		
Principal	1,656,424	963,530
Interest	300,068	224,915
Capital Outlay	<u>-</u>	<u>13,343,328</u>
Total expenditures	<u>174,422,559</u>	<u>147,798,633</u>
Excess of expenditures over revenue	<u>-</u>	<u>(7,876,495)</u>
OTHER FINANCING SOURCES:		
Issuance of lease financing	<u>-</u>	<u>7,876,495</u>
Total other financing sources	<u>-</u>	<u>7,876,495</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

**RECONCILIATION OF THE GENERAL FUND STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
Net change in fund balance - general fund	\$ -	\$ -
Amounts reported in the statements of activities are different because:		
<p>The general fund reports capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay exceeded depreciation and amortization in the current period:</p>		
Purchase of capital assets	-	5,466,833
Lease assets	-	7,876,495
Depreciation and amortization	(4,829,967)	(3,248,269)
<p>Accrued vacation and sick pay is reported in the statements of activities on the accrual basis, but is reported as an expenditure in the general fund when the outlay of financial resources is required.</p>		
	(145,328)	(172,846)
<p>The issuance of long-term debt (leases) provides current financial resources to the general fund, while the repayment of the principal of long-term debt consumes the current financial resources of the general fund.</p>		
Issuance of long-term debt (leases)	-	(7,876,495)
Principal	1,656,424	963,530
<p>Contributions related to capital assets are not recorded in the general fund statements because they are not considered current financial resources.</p>		
	-	10,664,625
Change in net position - governmental activities	\$ (3,318,871)	\$ 13,673,873

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

NYC School Bus Umbrella Services, Inc. (“NYCSBUS”) is a Type C not-for-profit corporation organized under the Not-For-Profit Corporation Law of the State of New York (the “State”). NYCSBUS is governed by a Board of Directors. The Board consists of five members, two *ex officio* Directors comprised of the individuals holding the following offices who are appointed as Directors of the Corporation by virtue of holding such position; the Chancellor or Acting Chancellor of The City School District of The City of New York or his/her designee; the Director of Management and Budget of The City of New York or his/her designee; and three additional Directors appointed by the Chancellor of The City School District of The City of New York, one of whom shall be a parent representative to the Department of Education (“DOE”). NYCSBUS follows Governmental Accounting Standards Board (“GASB”) accounting standards due to the appointment of the Board by a local government, the City School District of The City of New York. Although legally separate from The City of New York (the “City”), NYCSBUS is an instrumentality of the City and, accordingly, is included in the City’s financial statements as a blended component unit in accordance with GASB standards.

NYCSBUS was incorporated for the purpose of providing transportation services to students who are served by The City School District of the City of New York, in connection with the provision of education and/or support services, to conduct any other activities and to perform any and all acts which may be necessary, useful, suitable or proper for the furtherance, accomplishment or attainment of the activities described, and to conduct any other transportation activities permitted consistent with the Not-for-profit Corporation Law and to use transportation equipment and facilities for a non-transportation purpose.

NYCSBUS was formed on September 10, 2020, and a contract with the City to provide school bus services was registered on January 1, 2021. The contract extends through and terminates on June 30, 2026. Pursuant to this contract, NYCSBUS receives payments that cover its projected expenses for the forthcoming month and these contractual payments are NYCSBUS’s sole source of revenue.

NYCSBUS entered into an Asset Purchase Agreement with Reliant Transportation, Inc. (the “Seller”) to purchase certain assets from the Seller mainly consisting of buses and service vehicles to facilitate NYCSBUS’s operation of certain school bus services in the NYC area. The seller was previously engaged with the DOE to provide school bus services in the NYC area. As a result, NYCSBUS acquired service vehicles and buses valued at approximately \$16.1 million. As part of the transaction, NYCSBUS initially assumed lease liabilities related to certain buses from the Seller and satisfied those obligations by paying approximately \$5.4 million to the leasing company. As part of an agreement made on October 29, 2021 between NYCSBUS, the Seller and Division 1181 Amalgamated Transit Union – New York Employees’ Pension Fund (the “Fund”), NYCSBUS agreed to assume the obligation to contribute to the fund and guarantee any possible pension withdrawal liability related to the Asset Purchase Agreement transactions. In consideration of the exchange of the assets NYCSBUS recognized approximately \$12.7 million to its restricted net position. As part of an Escrow Agreement dated August 31, 2022, NYCSBUS and the Seller agreed to provide the Division 1181 ATU - New York Employees' Pension Fund (the “Local 1181 Fund”) with security in the form of a bond or escrow under Employee Retirement Income Security Act of 1974 (“ERISA”) Section 4204 for the first plan year after the Closing Date and for each of the four plan years thereafter. During the year ended June 30, 2023 NYCSBUS contributed approximately \$2.88 million as its share of the escrow funding. Therefore, in consideration of the exchange of the assets and escrow funding described previously, NYCSBUS has determined that approximately \$15.6 and \$12.7 million of net position is restricted for future pension costs as reported on the Statements of Net Position as of June 30, 2023 and 2022, respectively. As a result of the asset purchase agreement and other related agreements NYCSBUS incurred approximately \$8 million in costs which is reported within professional fees on the statements of activities in fiscal year 2022.

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

The government-wide financial statements of NYCSBUS, which include the statements of net position and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The reconciliations of the general fund balance sheets to the statements of net position and the reconciliations of the general fund statements of revenues, expenditures and changes in fund balance to the statements of activities, are presented to assist the reader in understanding the differences between the government-wide and general fund financial statements.

NYCSBUS's general fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal year. Revenues are generally considered available if expected to be received within one year after year end. Expenditures are recognized when the related liability is incurred.

NYCSBUS recognizes program revenues equal to the amount of expenditures incurred. Amounts received from the DOE in excess of expenditures are reported as unearned revenues and applied to the subsequent fiscal year. Any amounts owed from the DOE are recognized as receivables.

B. *Net Position and Fund Balance*

NYCSBUS uses a general fund ("GF") to report its activities. The GF is used to account for all financial resources and activities that relate to NYCSBUS's administrative and operating expenditures.

Fund balances are classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned. Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Fund balance that cannot be spent besides for a specific purpose is defined as restricted.

The Board of NYCSBUS constitutes NYCSBUS's highest level of decision-making authority. If and when resolutions are adopted by the Board that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

If and when fund balances are constrained for use for a specific purpose based on the direction of any officer of NYCSBUS who is duly authorized to direct the movement of such funds, those fund balances are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, and is reduced by the outstanding balances of capital related debt.

Resources that are not constrained are reported as unrestricted in the statements of net position and unassigned in the general fund balance sheet.

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Net Position and Fund Balance (Continued)

When both restricted and unrestricted resources are available for use for a specific purpose, it is NYCSBUS's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use for a specific purpose, it is NYCSBUS's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

C. Prepays

Prepays represent amounts paid as of year-end, which will benefit future operations and are accounted for using the consumption method. Typically, NYCSBUS's prepays primarily consist of insurance costs.

D. Property and Equipment and Lease Assets

Property and equipment are stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. NYCSBUS capitalizes property and equipment with a cost of \$35,000 or more and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Lease assets are amortized over the shorter of the life of the lease or the lease term on a straight-line basis.

E. Lease Liability

The lease liability is measured using the present value of the remaining lease payments over the lease term as determined by management after the consideration of options that could extend or reduce the life of the lease. The liability is reduced by principal payments made each year, and interest expenditure/expense is reported based upon the rate of interest used to calculate the lease liability.

F. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S GAAP") requires NYCSBUS's management to make estimates and assumptions in determining the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

H. New Accounting Pronouncements

As a component unit of the City, NYCSBUS implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions on the standards implemented and that may impact NYCSBUS in future years:

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. New Accounting Pronouncements (Continued)

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (“GASB 96”), is effective for reporting periods beginning after June 15, 2022. The statement provides guidance for accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”), for government end users, and defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset), and a corresponding subscription liability. GASB 96 also provides the capitalization criteria for outlays other than subscription payments, including implementation costs. The standards for SBITAs are largely based on the standards established in GASB 87 for leases. Management of NYCSBUS evaluated GASB 96, and determined that there were no agreements that were either material or met the definition of an SBITA, therefore there is no effect on these financial statements.
- GASB Statement No. 99, *Omnibus 2022*, has multiple effective dates depending on the Statement of the standard. This Statement addresses numerous accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. The requirements related to extension of the use of London Inter-Bank Offered Rate (“LIBOR”), accounting for Supplemental Nutrition Assistance Program (“SNAP”) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, public-private and public-public partnerships (“PPPs”), and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The adoption of GASB 99, for the paragraphs effective for June 2023, did not have an impact on NYCSBUS’s financial statements.

Other accounting pronouncements that may impact NYCSBUS in future years are as follows:

- GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* (“GASB 100”), has been issued to help enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. GASB 100 defines accounting changes, addresses corrections of errors in previously issued financial statements, and prescribes accounting and financial reporting for both. GASB 100 also addresses how information that is affected by a change in accounting or error correction should be presented in the required supplementary information explaining that the information should be restated for error corrections, but not for changes in accounting principles. The requirements of GASB 100 are effective for fiscal years beginning after June 15, 2023. NYCSBUS has not completed their evaluation of GASB 100, but does not anticipate any material impact.
- GASB Statement No. 101, *Compensated Absences* (“GASB 101”), has been issued to align the recognition and measurement guidance of compensated absences. GASB 101 requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used, but not yet paid in cash or settled otherwise. GASB 101 also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. NYCSBUS has not completed their evaluation of GASB 101 but does not anticipate any material impact.

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2023 and 2022, NYCSBUS's cash was comprised of unrestricted bank deposits in the amounts of \$11,357,000 and \$5,105,000 and restricted bank deposits in the amounts of approximately \$6,557,000 and \$3,902,000, respectively. Restricted bank deposits amounting to approximately \$2,882,000 were held in escrow as of June 30, 2023 as part of the Asset Purchase Agreement dated June 22, 2021 and an Escrow Agreement dated August 31, 2022 with the Seller. Restricted bank deposits amounting to approximately \$257,000 were held in escrow as part of closing for the asset purchase agreement as of June 30, 2022. As of June 30, 2023 and 2022, approximately \$3,675,000 and \$3,645,000 of the restricted cash was held with the term of a letter of credit. The letter of credit is irrevocable and the beneficiary is NYCSBUS's insurance company.

As of June 30, 2023 and 2022, respectively, NYCSBUS's cash equivalents were also held in money market funds in the amount of approximately \$779,000 and \$92,000. NYCSBUS categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. NYCSBUS's money market funds are valued based on various market and industry inputs (Level 1 inputs).

NYCSBUS entered into an agreement with Amalgamated Bank during the year ended June 30, 2023 for a cash sweep account with the bank's IntraFi Cash Service ("ICS"), which spreads the account balance over a number of banks so as not to exceed the FDIC insurance limit. The cash held with Amalgamated Bank ICS account was approximately \$6.2 million as of June 30, 2023, and is effectively FDIC insured. Of the remaining cash and cash equivalents held by NYCSBUS, \$250,000 was covered by Federal Deposit Insurance Corporation ("FDIC") insurance at two banking institutions. The bank accounts exposed to custodial credit risk comprise of approximately \$5.3 million in operating (checking) accounts, approximately \$6.5 million held in escrow accounts and approximately \$800,000 within money market accounts. NYCSBUS maintains its cash accounts in excess of FDIC to meet its operating cash flow needs, comply with its escrow agreements, and to earn interest on certain excess cash balances. As of June 30, 2023 and 2022, there was approximately \$12.1 million and \$8.8 million, respectively of unrestricted and restricted cash and cash equivalents held by a bank that exceeded FDIC limits which was uninsured and uncollateralized.

NYC SCHOOL BUS UMBRELLA SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2023 and 2022:

	<u>Balance</u> <u>6/30/2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2023</u>
Service Vehicles/ Buses	\$ 16,070,801	\$ -	\$ -	\$ 16,070,801
Compuer Equipment	<u>60,657</u>	<u>-</u>	<u>-</u>	<u>60,657</u>
Total depreciable capital assets	16,131,458	-	-	16,131,458
Less: accumulated depreciation and amortization				
Service Vehicles/ Buses	(2,114,880)	(3,003,737)	-	(5,118,617)
Compuer Equipment	<u>(4,045)</u>	<u>(12,131)</u>	<u>-</u>	<u>(16,176)</u>
Total accumulated depreciation and amortization	<u>(2,118,925)</u>	<u>(3,015,868)</u>	<u>-</u>	<u>(5,134,793)</u>
Lease assets being amortized, net	<u>6,747,151</u>	<u>(1,814,099)</u>	<u>-</u>	<u>4,933,052</u>
Total net capital assets	<u>\$ 20,759,684</u>	<u>\$ (4,829,967)</u>	<u>\$ -</u>	<u>\$ 15,929,717</u>
	<u>Balance</u> <u>6/30/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2022</u>
Service Vehicles/ Buses	\$ -	\$ 16,070,801	\$ -	\$ 16,070,801
Compuer Equipment	<u>-</u>	<u>60,657</u>	<u>-</u>	<u>60,657</u>
Total depreciable capital assets	-	16,131,458	-	16,131,458
Less: accumulated depreciation and amortization				
Service Vehicles/ Buses	-	(2,114,880)	-	(2,114,880)
Compuer Equipment	<u>-</u>	<u>(4,045)</u>	<u>-</u>	<u>(4,045)</u>
Total accumulated depreciation and amortization	<u>-</u>	<u>(2,118,925)</u>	<u>-</u>	<u>(2,118,925)</u>
Lease assets being amortized, net	<u>-</u>	<u>7,876,495</u>	<u>(1,129,344)</u>	<u>6,747,151</u>
Total net capital assets	<u>\$ -</u>	<u>\$ 21,889,028</u>	<u>\$ (1,129,344)</u>	<u>\$ 20,759,684</u>

NOTE 5 – LEASE LIABILITY

NYCSBUS is obligated under five leases for the rental of property. The leases expire on various dates through June 2029. NYCSBUS determined the net present value of the lease based on the comparable rates of similar leases using 5% discount rate and reported a lease liability of \$5,256,541 and \$6,912,965 at June 30, 2023 and 2022, respectively. Total outflows related to the lease agreements were \$1,956,491 and \$1,188,445 for the years ended June 30, 2023 and 2022, respectively.

NYCSBUS was obligated under two additional non-multi year leases for the rental of property. The lease's maximum possible term was 12 month or less, and is accounted for as a short-term lease where outflows are recognized in the period incurred. Total outflows related to these lease agreements were \$1,693,500 for the Jamaica and \$137,800 for the Sharotts Road locations during the year ended June 30, 2023 and \$600,000 for the Jamaica location for the year ended June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 5 – LEASE LIABILITY (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Fiscal Year Ending

<u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,801,523	\$ 213,713	\$ 2,015,236
2025	1,194,473	139,583	1,334,056
2026	1,265,638	78,869	1,344,507
2027	568,598	27,938	596,536
2028	204,527	15,753	220,280
2029	<u>221,782</u>	<u>5,107</u>	<u>226,889</u>
	<u>\$ 5,256,541</u>	<u>\$ 480,963</u>	<u>\$ 5,737,504</u>

NOTE 6 – PENSION PLAN

Division 1181 ATU- New York Employees Pension Fund and Plan

NYCSBUS's eligible employees are provided with pension benefits through the Local 1181 Fund, a non-governmental union sponsored plan in which NYCSBUS is not the predominant employer. Only employees that are covered by NYCSBUS's collective bargaining agreement with its drivers and attendants are eligible to participate in the Local 1181 Fund. NYCSBUS entered into the collective bargaining agreement effective October 30, 2021, which expired June 30, 2023, NYCSBUS is currently in negotiations to renew the agreement. The Local 1181 Fund is administered by the Board of Trustees of Division 1181 ATU- New York Employees Pension Fund. The Local 1181 Fund is a cost-sharing multiemployer defined benefit plan subject to the provisions of the ERISA, as amended. Participation begins after 90 days of employment for all employees other than casual employees. Casual employees are covered under the pension provision when they reach 1,000 hours of service in the industry. Participants earn pension credits for each Plan Year in which they complete at least 1,000 Hours of Service in the industry. There are no partial years of credited service. Participants are vested in a benefit: (a) if the participant reaches normal retirement age, they will be vested as long as they are in employment in the industry once they reach normal retirement age (b) effective September 1, 1998, if the participant works at least one hour of service after that date, they will be vested upon completing five or more years of vesting service. If the fund is unable to locate a participant or its beneficiary, the benefit will be forfeited in accordance with federal law. Effective September 2021 and 2022, respectively, employer pension contributions between \$81.72 - \$86.13 and \$80.12 - \$84.44 and employee contributions of \$37.71- \$46.70 and \$35.01 - \$45.78, per week were made to the Local 1181 Fund. Pension expense for the years ending June 30, 2023 and 2022 amounted to \$5,298,094 and \$4,227,804, respectively. As of June 30, 2023 and 2022, there were 1,581 and 1,601 employees, respectively covered under the plan.

**NYC SCHOOL BUS UMBRELLA SERVICES, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 6 – PENSION PLAN (Continued)

Consistent with the provisions of GASB Statement No. 78, which provides an exception for non-governmental sponsored plans, no determination of the proportionate share of the net pension liability, pension expense, or deferred outflows or inflows of resources, if any, is made for this cost-sharing defined benefit pension plan. Information regarding the Local 1181 Fund can be obtained by contacting Local 1181-1061 A.T.U. AFL-CIO at 20 North Central Avenue, Valley Stream, NY 11580, or visiting their website at atu1181.org. The multiemployer pension plan amendments act of 1980 imposes certain liabilities upon employers associated with multiemployer pension plans who withdraw from or terminate such plans. NYCSBUS has no plans to withdraw or partially withdraw from the Plan.

NOTE 7 – CONTINGENCIES

NYCSBUS is a party to certain employment-related legal claims, the outcome of which cannot presently be determined. NYCSBUS is party to certain claims throughout the year involving its buses, which are generally handled by their insurance carrier. Management has determined that there are no specific outstanding claims that require disclosure or accrual in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S REQUIRED CONTRIBUTIONS
LAST 10 FISCAL YEARS* (UNAUDITED)

Division 1181 ATU - New York Employees Pension Fund and Plan

	<u>2023</u>	<u>2022</u>
Employer's required contribution	\$ 5,298,094	\$ 4,227,804
Actual contribution	\$ 5,298,094	\$ 4,227,804
Contribution deficiency (excess)	\$ -	\$ -

*A schedule of the employer's required contributions for each of the 10 most recent fiscal years should be presented as required supplementary information. However, as NYCBUS commenced operations in fiscal year 2021 and entered into the Collective Bargaining Agreement in 2022, this data is presented only for those years for which information is available.