

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NEW YORK, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019

(With Comparative Totals for 2018)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities and Changes in Net Assets	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	10
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	24
Consolidating Statement of Financial Position by Charter	25
Consolidating Statement of Activities and Changes in Net Assets by Charter	26
Statement of Functional Expenses by Charter:	
Girls Preparatory Charter School of New York	27
Boys Preparatory Charter School of New York	28
Girls Preparatory Charter School of the Bronx	29
PrePrep: the Joan Ganz Cooney Early Learning Program	30
PrePrep 2	31
Statement of Functional Expenses - Friends of Girls Prep	32

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Public Prep Charter School Academies

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Public Prep Charter School Academies (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Public Prep Charter School Academies as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of Public Prep Charter School Academies' 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 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 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 Public Prep Charter School Academies' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Public Prep Charter School Academies' consolidated financial statements as of and for the year ended June 30, 2018, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 30, 2019

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,519,657	\$ 2,787,502
Grants and contracts receivable	3,431,440	2,584,738
Prepaid expenses and other current assets	<u>726,594</u>	<u>86,363</u>
TOTAL CURRENT ASSETS	5,677,691	5,458,603
<u>OTHER ASSETS</u>		
Property and equipment, net	11,437,573	4,477,322
Related party receivables, net	961,033	444,812
Security deposit	502,325	495,000
Cash in escrow	<u>175,221</u>	<u>175,114</u>
	<u>13,076,152</u>	<u>5,592,248</u>
TOTAL ASSETS	<u>\$ 18,753,843</u>	<u>\$ 11,050,851</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,161,357	\$ 806,274
Accrued payroll and benefits	2,589,808	2,473,400
Deferred revenue	367,358	235,859
Current portion of deferred lease incentive	26,003	26,004
Current portion of loans payable	246,269	-
Security deposit payable	<u>49,999</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	4,440,794	3,541,537
<u>LONG-TERM LIABILITIES</u>		
Loans payable	5,333,088	-
Deferred lease incentive	65,406	91,408
Deferred lease liability	<u>745,908</u>	<u>-</u>
TOTAL LIABILITIES	10,585,196	3,632,945
<u>NET ASSETS</u>		
Without donor restrictions	7,972,374	7,142,738
With donor restrictions	<u>196,273</u>	<u>275,168</u>
TOTAL NET ASSETS	<u>8,168,647</u>	<u>7,417,906</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,753,843</u>	<u>\$ 11,050,851</u>

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	Year ended June 30,			2018
	Without donor restrictions	With donor restrictions	Total	
Revenue, gains and other support:				Total
Public school district:				
Resident student enrollment	\$ 29,842,337	\$ -	\$ 29,842,337	\$ 25,543,788
Students with disabilities	4,141,162	-	4,141,162	3,994,481
Grants and contracts:				
State and local	1,387,899	-	1,387,899	1,220,504
Federal - Title and IDEA	1,559,964	-	1,559,964	1,439,614
Federal - other	208,868	-	208,868	186,084
NYC DOE rental assistance	2,290,277	-	2,290,277	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	39,430,507	-	39,430,507	32,384,471
Expenses:				
Program services:				
Regular education	28,186,807	-	28,186,807	22,329,127
Special education	6,881,085	-	6,881,085	6,609,842
Pre-K	904,852	-	904,852	358,688
Total program services	35,972,744	-	35,972,744	29,297,657
Management and general	3,764,842	-	3,764,842	2,821,691
Fundraising and special events	44,304	-	44,304	38,165
TOTAL OPERATING EXPENSES	39,781,890	-	39,781,890	32,157,513
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(351,383)	-	(351,383)	226,958
Support and other revenue:				
Contributions:				
Foundations	-	325,000	325,000	259,800
Individuals	10,071	-	10,071	60,100
Corporations	459,076	-	459,076	5,600
Fundraising	1,823	-	1,823	-
Interest income	105	-	105	967
Other income	208,879	-	208,879	1,145
Rental income	97,170	-	97,170	-
Loss on abandonment of lease	-	-	-	(167,490)
Net assets released from restriction	403,895	(403,895)	-	-
TOTAL SUPPORT AND OTHER REVENUE	1,181,019	(78,895)	1,102,124	160,122
CHANGE IN NET ASSETS	829,636	(78,895)	750,741	387,080
Net assets at beginning of year	7,142,738	275,168	7,417,906	7,030,826
NET ASSETS AT END OF YEAR	\$ 7,972,374	\$ 196,273	\$ 8,168,647	\$ 7,417,906

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	No. of Positions	Program Services				Supporting Services			Total	
		Regular Education	Special Education	Pre-K	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
									2019	2018
Personnel services costs:										
Administrative staff personnel	68	\$ 2,787,038	\$ 601,869	\$ 33,403	\$ 3,422,310	\$ 1,697,074	\$ -	\$ 1,697,074	\$ 5,119,384	\$ 4,388,336
Instructional personnel	294	11,846,088	3,224,549	586,591	15,657,228	-	-	-	15,657,228	14,424,133
Non-instructional personnel	1	13,442	3,621	-	17,063	-	-	-	17,063	32,618
Total personnel services costs	363	14,646,568	3,830,039	619,994	19,096,601	1,697,074	-	1,697,074	20,793,675	18,845,087
Fringe benefits and payroll taxes		3,256,898	852,636	121,454	4,230,988	376,569	-	376,569	4,607,557	4,288,429
Retirement		214,990	59,894	6,734	281,618	25,572	-	25,572	307,190	284,009
Management company fees		3,101,321	620,266	-	3,721,587	664,569	44,304	708,873	4,430,460	3,816,416
Legal services		-	-	-	-	1,698	-	1,698	1,698	-
Accounting / audit services		-	-	-	-	58,358	-	58,358	58,358	53,834
Other purchased / professional / consulting services		466,361	134,528	-	600,889	384,511	-	384,511	985,400	517,425
Building rent / lease / facility finance interest		2,029,988	341,863	47,000	2,418,851	210,180	-	210,180	2,629,031	-
Repairs and maintenance		296,786	57,856	-	354,642	31,010	-	31,010	385,652	154,671
Insurance		119,830	31,254	4,282	155,366	13,852	-	13,852	169,218	140,234
Utilities		176,369	44,073	-	220,442	25,050	-	25,050	245,492	184,987
Supplies / materials		1,166,898	284,632	22,915	1,474,445	-	-	-	1,474,445	893,308
Equipment / furnishings		31,207	7,386	889	39,482	3,451	-	3,451	42,933	60,732
Staff development		489,684	113,394	26,275	629,353	1,311	-	1,311	630,664	811,078
Marketing / recruiting		41,806	10,954	1,352	54,112	2,408	-	2,408	56,520	80,074
Technology		61,099	14,248	-	75,347	83,420	-	83,420	158,767	110,498
Food service		112,098	29,686	24,640	166,424	-	-	-	166,424	35,640
Student services		670,943	154,278	1,969	827,190	-	-	-	827,190	705,266
Office expense		495,714	117,368	-	613,082	98,960	-	98,960	712,042	432,025
Depreciation and amortization		785,870	176,730	27,348	989,948	86,849	-	86,849	1,076,797	706,814
Other		22,377	-	-	22,377	-	-	-	22,377	36,986
		<u>\$ 28,186,807</u>	<u>\$ 6,881,085</u>	<u>\$ 904,852</u>	<u>\$ 35,972,744</u>	<u>\$ 3,764,842</u>	<u>\$ 44,304</u>	<u>\$ 3,809,146</u>	<u>\$ 39,781,890</u>	<u>\$ 32,157,513</u>

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 750,741	\$ 387,080
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,076,797	706,814
Loss on abandonment of lease	-	167,490
Changes in certain assets and liabilities affecting operations:		
Grants and other contracts receivable	(846,702)	(744,322)
Prepaid expenses and other current assets	(640,231)	383,573
Related party receivables and payables	(516,221)	56,599
Accounts payable and accrued expenses	355,083	(12,278)
Accrued payroll and benefits	116,408	(38,339)
Deferred revenue	131,499	193,391
Deferred lease incentive	(26,003)	117,412
Deferred lease liability	<u>745,908</u>	<u>-</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,147,279	1,217,420
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(5,037,048)	(3,183,254)
Changes in cash in escrow	(107)	2,255,895
Security deposit	(7,325)	-
Security deposit payable	<u>49,999</u>	<u>-</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(4,994,481)</u>	<u>(927,359)</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Proceeds from loans payable	2,756,160	-
Repayments of loans payable	<u>(176,803)</u>	<u>-</u>
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>2,579,357</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH	(1,267,845)	290,061
Cash at beginning of year	<u>2,787,502</u>	<u>2,497,441</u>
CASH AT END OF YEAR	<u>\$ 1,519,657</u>	<u>\$ 2,787,502</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Purchases of property and equipment financed with loan payable	<u>\$ 3,000,000</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 109,574</u>	<u>\$ -</u>

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements include the accounts of Girls Preparatory Charter School of New York (“Girls Prep LES”), Boys Preparatory Charter School of New York (“Boys Prep”), Girls Preparatory Charter School of the Bronx (“Girls Prep Bronx”), PrePrep: the Joan Ganz Cooney Early Learning Program (“PrePrep”), PrePrep2 (“PrePrep2”), collectively forming Public Prep Charter School Academies, and Friends of Girls Preparatory Charter School of New York, Inc. (“Friends”), (collectively referred to as the “Organization”). The Organization is presenting consolidated financial statements because they have a common Board of Trustees and economic interest. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The Organization

Public Prep Charter School Academies is an education corporation that has authority to operate the Charter Schools as described below. Friends was organized under the laws of the State of New York as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation law. See Note D.

Girls Prep LES operates in the borough of Manhattan, New York. On March 23, 2004, the Board of Regents of the University of the State of New York granted Girls Prep LES a provisional charter valid for a term of five years and renewable upon expiration. Girls Prep LES obtained a renewal through June 30, 2020.

Boys Prep operates in the borough of Bronx, New York. On December 14, 2010, the Board of Regents of the University of the State of New York granted Boys Prep a provisional charter valid for a term of five years and renewable upon expiration. Boys Prep obtained a renewal through July 31, 2024.

Girls Prep Bronx operates in the borough of Bronx, New York. On February 23, 2009, the Board of Regents of the University of the State of New York granted Girls Prep Bronx a provisional charter valid for a term of five years and renewable upon expiration. Girls Prep Bronx obtained a renewal through July 31, 2022.

On March 9, 2019, the Board of Regents of the University of the State of New York granted Girls Prep Bronx II a provisional charter valid for a term of five years and renewable upon expiration. Girls Prep Bronx II is expected to open in the Fall of 2020.

Each of the Charter Schools were established to prepare underserved elementary and middle school students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations.

PrePrep operates in the borough of Bronx, New York. The Organization obtained approval from the New York City Department of Education to open a Pre-K program. The contract authorized operation of a universal prekindergarten program for a term of three years through June 30, 2018 and was renewable for two years upon expiration. In 2018, PrePrep obtained a renewal through June 30, 2020.

PrePrep2 operates in the borough of Bronx, New York. The Organization obtained approval from the New York City Department of Education to open a second Pre-K program. The contract authorizes operation of a universal prekindergarten program for a term of three years through June 30, 2021.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

Financial Statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net Assets Without Donor Restrictions – The net assets over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established by the Organization. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Organization's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Organization when qualifying expenditures are incurred and billable.

Contributions are recognized as revenue in the period the pledge is received and documented.

Contributions

Contributions and unconditional promises to give are recorded in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

Cash in escrow

The Organization maintains cash in escrow accounts for dissolution reserves in accordance with the terms of their charter agreements. The amount in escrow for dissolution as of June 30, 2019 and 2018 was \$175,221 and \$175,114, respectively. The escrow is restricted to fund legal and other costs related to the dissolution of the Organization.

Grants and contracts receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2019 or 2018.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years. Leasehold improvements are amortized over the lesser of the lease term or useful life.

Tax exempt status

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

Public Prep Academies and Friends file Form 990 tax returns in the U.S. federal jurisdiction. In addition, Friends files in New York. The tax returns for the years ended June 30, 2016 through June 30, 2019 are still subject to potential audit by the IRS and NY. Management of the Organization believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Organization received transportation services, special education services and speech therapy instruction for the students from the local district. The Organization was unable to determine a value for these services.

Marketing and recruiting costs

The Organization expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$56,500 and \$80,100 for the years ended June 30, 2019 and 2018, respectively.

Deferred revenue

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

Security deposits payable

The Organization subleases portions of one of the buildings it occupies and received security deposits in relation to the subleases.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

Deferred lease liability

The Organization leases one of its facilities. The lease contains significant pre-determined fixed escalations of the base rent. In accordance with GAAP, the Organization recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease liability. The amount of additional rent expense recognized in excess of the amounts paid under the lease was \$745,908 for the year ended June 30, 2019.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 "*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*". The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

- 4) Provide enhanced disclosures about:
- a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
 - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
 - c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.
 - d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
 - e) Method(s) used to allocate costs among program and support functions.

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Organization has adopted the amendments effective July 1, 2018.

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Recently an exposure draft was issued that would delay the effective date by one year. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization’s financial position or results of operations.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 30, 2019, which is the date the financial statements are available to be issued. Except as described in Note D, no subsequent events requiring disclosure were noted.

NOTE B: RELATED PARTY TRANSACTIONS

The Organization has related party receivables from and payables to one related organization, Public Preparatory Network, Inc. Public Preparatory Network, Inc., a not-for-profit organization, provides management and other administrative support services to the Organization. The Organization entered into an agreement with Public Preparatory Network, Inc., dated September 30, 2014, under which the Organization paid an annual service fee of 12% of the year end student enrollment full time equivalents multiplied by the approved per pupil operating expenses for the school year. For the year ended June 30, 2018 and forward the fee was increased from 12% to 15%, plus a separate flat fee of \$50,000 of special education funding was added. For the year ended June 30, 2019, the \$50,000 special education funding fee was applied to each campus, for a total of \$250,000. The term of the agreement is concurrent with the initial charter term and can be extended for subsequent three year periods if desired. The fee incurred for the years ended June 30, 2019 and 2018 was \$4,430,460 and \$3,816,416, respectively.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Amounts due (to) from these related parties have no set repayment terms and as of June 30, 2019 were as follows:

	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	Friends of Girls Preparatory Charter School of New York	Eliminations	Total
Due from (to) Public Preparatory Network, Inc.	\$ 78,941	\$ 696,970	\$ 185,138	\$ (16)	\$ -	\$ -	\$ -	\$ 961,033
Due from (to) Girls Preparatory Charter School of New York	-	(1,650,964)	(27,147)	122,990	-	-	1,555,121	-
Due from (to) Boys Preparatory Charter School of New York	1,650,964	-	1,917,146	-	(297,373)	(4,053,701)	782,964	-
Due from (to) Girls Preparatory Charter School of the Bronx	27,147	(1,917,146)	-	(283,337)	-	-	2,173,336	-
Due from (to) PrePrep: the Joan Ganz Cooney Early Learning Program	(122,990)	-	283,337	-	-	-	(160,347)	-
Due from (to) PrePrep 2	-	297,373	-	-	-	147,000	(444,373)	-
Due from (to) Friends of Girls Preparatory Charter School of New York	-	4,053,701	-	-	(147,000)	-	(3,906,701)	-
	<u>\$ 1,634,062</u>	<u>\$ 1,479,934</u>	<u>\$ 2,358,474</u>	<u>\$ (160,363)</u>	<u>\$ (444,373)</u>	<u>\$ (3,906,701)</u>	<u>\$ -</u>	<u>\$ 961,033</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Amounts due (to) from these related parties as of June 30, 2018 were as follows:

	<u>Girls Preparatory Charter School of New York</u>	<u>Boys Preparatory Charter School of New York</u>	<u>Girls Preparatory Charter School of the Bronx</u>	<u>PrePrep: the Joan Ganz Cooney Early Learning Program</u>	<u>Friends of Girls Preparatory Charter School of New York</u>	<u>Eliminations</u>	<u>Total</u>
Due from (to) Public Preparatory Network, Inc.	\$ 15,829	\$ 549,680	\$ (12,830)	\$ (107,867)	\$ -	\$ -	\$ 444,812
Due from (to) Girls Preparatory Charter School of New York	-	(1,209,858)	62,741	185,060	-	962,057	-
Due from (to) Boys Preparatory Charter School of New York	1,209,858	-	1,054,588	890	(2,997,418)	732,082	-
Due from (to) Girls Preparatory Charter School of the Bronx	(62,741)	(1,054,588)	-	(268,074)	-	1,385,403	-
Due from (to) PrePrep: the Joan Ganz Cooney Early Learning Program	(185,060)	(890)	268,074	-	-	(82,124)	-
Due from (to) Friends of Girls Preparatory Charter School of New York	-	2,997,418	-	-	-	(2,997,418)	-
	<u>\$ 977,886</u>	<u>\$ 1,281,762</u>	<u>\$ 1,372,573</u>	<u>\$ (189,991)</u>	<u>\$ (2,997,418)</u>	<u>\$ -</u>	<u>\$ 444,812</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE C: LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of education and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal year 2019. In addition, the Organization has a \$1,500,000 line of credit available for use if necessary.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

	<u>Amount</u>
Cash	\$ 1,519,657
Grants and contracts receivable	<u>3,431,440</u>
Total financial assets available within one year	4,951,097
Less amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	<u>(196,273)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 4,754,824</u>

NOTE D: SCHOOL FACILITY

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to the Organization at no charge under a verbal agreement.

In December 2016 Friends entered into a lease agreement with a third party for school facility space for use by Boys Prep. The lease required a security deposit of \$495,000 which was paid in fiscal 2017 by Boys Prep. The lease term is 35 years, which commenced upon occupancy in September 2018, with the option to renew the agreement for two renewal terms, the first for ten years and the second for four years. The current agreement provides for monthly payments of approximately \$202,300 for the first year, increasing annually based upon the greater of the changes in the Consumer Price Index above a base year or a fixed percentage of 1.5%.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE D: SCHOOL FACILITY, Cont'd

The landlord is in the process of making improvements to the space, including construction of additional space, the cost of which is to be shared between the landlord and Friends. This amount (anticipated at \$6,250,000) is expected to be repaid to the landlord through a ten-year \$3,000,000 loan with a fixed interest rate of 5%, and an ten-year \$3,250,000 loan at an interest rate equal to the landlord's rate of interest at the time of the landlord's mortgage closing. For purposes of the future minimum payments, an estimated interest rate of 5.13% is included in determining the payment amounts. This estimated payment amount will change upon closing of the landlord's mortgage in the future. Payment of the \$3,000,000 loan commenced in September 2018, and payment of the \$3,250,000 loan will commence in year three of the lease term. The anticipated loan payments are included in the future minimum payments as shown below and are also detailed in Note J. The lease required \$2,256,000 to be deposited in an escrow account to be used toward construction and for Friends to pay up to \$608,000 directly to the architect and up to \$92,000 to the construction manager upon receipt of invoices. As of June 30, 2019 and 2018, the Organization paid \$783,742 and \$589,838, respectively, for architect fees which are included in leasehold improvements in the accompanying statement of financial position.

During February 2018, the Organization agreed to sublease a portion of the Boys Prep facility for a term of twenty-two months, beginning September 2018 through June 30, 2020. The rental income is \$8,333 per month through December 31, 2018, \$9,722 per month through June 30, 2019, and \$27,083 per month through June 30, 2020. In addition, the tenant must pay a portion of utilities and custodial services. Effective May 1, 2019, the Organization agreed to sublet an additional portion of the Boys Prep facility for a fourteen month period through June 30, 2020 at \$4,167 per month.

Future minimum payments under these leases and subleases are estimated to be approximately as follows:

<u>Year ending June 30,</u>	<u>Minimum Payments</u>	<u>Sublease Income</u>	<u>Net Lease Payments</u>
2020	\$ 2,322,827	\$ 374,996	\$ 1,947,831
2021	2,357,669	-	2,357,669
2022	2,393,034	-	2,393,034
2023	2,428,930	-	2,428,930
2024	2,465,364	-	2,465,364
Thereafter	90,810,893	-	90,810,893
	<u>\$ 102,778,717</u>	<u>\$ 374,996</u>	<u>\$ 102,403,721</u>

During September 2019, the Organization finalized a sublease between Friends and Public Prep Charter School Academies for the school facility space which commenced September 10, 2018 through June 30, 2053. The lease is intended to transfer actual costs of the facility incurred by Friends to Public Prep Charter School Academies over the full lease term. Under the terms of the lease, the rent expense incurred in a given fiscal year is limited to the amount of rental reimbursement under N.Y. Education Law Section 2853(3)(e) for which Boys Prep is eligible. Any amounts that would be due in excess of that amount are added to a "total project deficit" and are subject to repayment in a future year, should funding become available. At June 30, 2019, the total project deficit was approximately \$3,761,000. All intercompany rent is eliminated in the accompanying consolidated financial statements.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 1,992,909	\$ 1,202,924
Computer equipment	2,185,514	1,925,490
Office equipment	1,586,339	1,311,069
Web development	5,250	5,250
Leasehold improvements	10,836,994	1,127,807
Construction in progress	-	<u>2,997,418</u>
	<u>16,607,006</u>	<u>8,569,958</u>
Less accumulated depreciation and amortization	5,169,433	4,092,636
	<u>\$ 11,437,573</u>	<u>\$ 4,477,322</u>

At June 30, 2018, \$2,997,418 was included in construction in progress related to construction of the new Boys Prep facility, see Note D. The facility was placed into service during fiscal year 2019 and began depreciating.

NOTE F: OPERATING LEASES

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through September 2023. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 248,410
2021	229,522
2022	218,423
2023	106,324
2024	<u>7,376</u>
	<u>\$ 810,055</u>

During fiscal 2018, existing leases for certain office equipment were bought out by a new vendor who provided a cash lease incentive to the Organization. The deferred lease incentive associated with these buyouts will be amortized over five years (the term of the new leases) and is included in deferred lease incentive on the accompanying consolidated statement of financial position as of June 30, 2019 and 2018. Approximately \$26,000 is expected to be recognized annually through 2022, with the remainder recognized in 2023.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE G: RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) plan covering all regular employees. The Organization matches employees' contributions based on years of service, up to a maximum of 7.5% of base salary. The Organization's total contribution to the Plan for the years ended June 30, 2019 and 2018 was \$307,190 and \$284,009, respectively.

NOTE H: CONTINGENCY

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

NOTE I: CONCENTRATIONS

At June 30, 2019 and 2018, approximately 31% and 61%, respectively of grants and contracts receivables are due from New York State relating to certain grants. At both June 30, 2019 and 2018, approximately 36% of grants and contracts receivables are due from New York City relating to certain grants.

During the years ended June 30, 2019, and 2018, 90% and 91%, respectively of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which each Charter School's students are located.

NOTE J: LOANS PAYABLE

As further described in Note D, the Organization received financing from the landlord in connection with the build-out of the Boys Prep facility. The total amount due is not yet finalized. As of June 30, 2019, \$5,578,939 is outstanding on these loans. Future minimum payments on these loans are currently estimated to be as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 246,269
2021	469,673
2022	566,077
2023	588,438
2024	626,323
Thereafter	<u>3,082,577</u>
	<u>\$ 5,579,357</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE K: NON-REVOLVING LINE OF CREDIT

Effective June 5, 2019, Public Prep Charter School Academies entered into a non-revolving line of credit with a bank, in the principal amount of \$1,500,000. Public Prep Charter School Academies may make borrowings or repayments on the line at any time, however on January 5, 2020, any amount outstanding on the line converts from a non-revolving line of credit to a term note. The term note requires principal and interest payments beginning February 5, 2020, with an interest rate equal to the prime rate, rounded upward to the nearest eighth of one percentage point (effective interest rate of 5.50% at June 30, 2019). The interest rate shall decrease by one half percentage point on the one-year anniversary of the disbursement date, if the unpaid principal balance of the obligation is under \$500,000 within twelve months from the disbursement date, subject to a minimum interest rate of 4.5%. The entire unpaid principal balance of this term note, and all accrued and unpaid interest shall be due June 5, 2021. There were no amounts outstanding on the line at June 30, 2019.

The agreement has certain financial covenants, of which Public Prep Charter School Academies was in compliance with as of June 30, 2019. The agreement is secured by substantially all assets of Public Prep Charter School Academies.

NOTE L: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function (including salaries, benefits, management fees, purchased services, occupancy, supplies, and depreciation) are allocated on the basis of estimates of time, effort, and usage.

NOTE M: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Undesignated	\$ 2,114,158	\$ 2,665,416
Invested in property and equipment, net of related debt	<u>5,858,216</u>	<u>4,477,322</u>
	<u>\$ 7,972,374</u>	<u>\$ 7,142,738</u>

Net assets with donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Eyeglasses	\$ 2,842	\$ 2,842
Literacy programs	-	12,526
Science labs	-	259,800
Boys Prep operations	<u>193,431</u>	<u>-</u>
	<u>\$ 196,273</u>	<u>\$ 275,168</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Public Prep Charter School Academies

We have audited the consolidated financial statements of Public Prep Charter School Academies as of and for the year ended June 30, 2019, and have issued our report thereon dated October 30, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and are not required parts of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2019, as a whole.

We have also audited the consolidated financial statements of Public Prep Charter School Academies as of and for the year ended June 30, 2018, and our report thereon dated October 31, 2018, expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on those consolidated financial statements as a whole. The 2018 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2018 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 consolidated financial statements or to the 2018 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2018, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 30, 2019

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2019

ASSETS	Public Prep Charter School Academies						Friends of Girls Preparatory Charter School of New York	Eliminations	Consolidated Total
	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	Total			
<u>CURRENT ASSETS</u>									
Cash	\$ 462,596	\$ 733,128	\$ 253,000	\$ 70,933	\$ -	\$ 1,519,657	\$ -	\$ -	\$ 1,519,657
Grants and contracts receivable	782,655	413,565	1,420,757	123,366	613,320	3,353,663	77,777	-	3,431,440
Prepaid expenses and other current assets	53,304	70,766	602,287	237	-	726,594	-	-	726,594
TOTAL CURRENT ASSETS	1,298,555	1,217,459	2,276,044	194,536	613,320	5,599,914	77,777	-	5,677,691
<u>OTHER ASSETS</u>									
Property and equipment, net	315,884	962,043	703,165	3,346	143,833	2,128,271	9,309,302	-	11,437,573
Related party receivables (payables)	1,634,062	1,479,934	2,358,474	(160,363)	(444,373)	4,867,734	(3,906,701)	-	961,033
Security deposit	-	502,325	-	-	-	502,325	-	-	502,325
Cash in escrow	75,095	25,031	75,095	-	-	175,221	-	-	175,221
TOTAL ASSETS	\$ 3,323,596	\$ 4,186,792	\$ 5,412,778	\$ 37,519	\$ 312,780	\$ 13,273,465	\$ 5,480,378	\$ -	\$ 18,753,843
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>									
<u>CURRENT LIABILITIES</u>									
Accounts payable and accrued expenses	\$ 282,211	\$ 300,291	\$ 331,815	\$ 16,823	\$ 4,500	\$ 935,640	\$ 225,717	\$ -	\$ 1,161,357
Accrued payroll and benefits	886,238	712,585	936,356	54,629	-	2,589,808	-	-	2,589,808
Deferred revenue	33,265	82,150	87,455	-	164,488	367,358	-	-	367,358
Current portion of deferred lease incentive	13,048	-	12,955	-	-	26,003	-	-	26,003
Current portion of loans payable	-	-	-	-	-	-	246,269	-	246,269
Security deposit payable	-	-	-	-	-	-	49,999	-	49,999
TOTAL CURRENT LIABILITIES	1,214,762	1,095,026	1,368,581	71,452	168,988	3,918,809	521,985	-	4,440,794
<u>LONG-TERM LIABILITIES</u>									
Loans payable	-	-	-	-	-	-	5,333,088	-	5,333,088
Deferred lease incentive	35,880	-	29,526	-	-	65,406	-	-	65,406
Deferred lease liability	-	-	-	-	-	-	745,908	-	745,908
TOTAL LIABILITIES	1,250,642	1,095,026	1,398,107	71,452	168,988	3,984,215	6,600,981	-	10,585,196
<u>NET ASSETS (DEFICIT)</u>									
Without donor restrictions	2,070,112	2,898,335	4,014,671	(33,933)	143,792	9,092,977	(1,120,603)	-	7,972,374
With donor restrictions	2,842	193,431	-	-	-	196,273	-	-	196,273
TOTAL NET ASSETS (DEFICIT)	2,072,954	3,091,766	4,014,671	(33,933)	143,792	9,289,250	(1,120,603)	-	8,168,647
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 3,323,596	\$ 4,186,792	\$ 5,412,778	\$ 37,519	\$ 312,780	\$ 13,273,465	\$ 5,480,378	\$ -	\$ 18,753,843

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2019

	Public Prep Charter School Academies						Friends of Girls Preparatory Charter School of New York	Eliminations	Consolidated Total
	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	Total			
Revenue, gains and other support:									
Public school district:									
Resident student enrollment	\$ 9,683,961	\$ 7,950,973	\$ 11,337,527	\$ 416,556	\$ 453,320	\$ 29,842,337	\$ -	\$ -	\$ 29,842,337
Students with disabilities	1,582,838	1,179,268	1,379,056	-	-	4,141,162	-	-	4,141,162
Grants and contracts:									
State and local	398,818	38,161	790,920	-	160,000	1,387,899	-	-	1,387,899
Federal - Title and IDEA	396,323	454,354	709,287	-	-	1,559,964	-	-	1,559,964
Federal - other	85,184	42,190	81,494	-	-	208,868	-	-	208,868
NYC DOE rental assistance	-	2,290,277	-	-	-	2,290,277	-	-	2,290,277
TOTAL REVENUE, GAINS AND OTHER SUPPORT	12,147,124	11,955,223	14,298,284	416,556	613,320	39,430,507	-	-	39,430,507
Expenses:									
Program services:									
Regular education	8,502,493	9,078,355	9,657,641	-	-	27,238,489	2,761,490	(1,813,172)	28,186,807
Special education	2,503,896	1,653,307	2,566,938	-	-	6,724,141	462,156	(305,212)	6,881,085
Pre-K	-	-	-	454,819	450,033	904,852	47,000	(47,000)	904,852
Total Program Services	11,006,389	10,731,662	12,224,579	454,819	450,033	34,867,482	3,270,646	(2,165,384)	35,972,744
Management and general	1,143,113	1,068,329	1,414,717	6,677	19,495	3,652,331	284,404	(171,893)	3,764,842
Fundraising and special events	14,955	11,951	17,398	-	-	44,304	-	-	44,304
TOTAL OPERATING EXPENSES	12,164,457	11,811,942	13,656,694	461,496	469,528	38,564,117	3,555,050	(2,337,277)	39,781,890
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(17,333)	143,281	641,590	(44,940)	143,792	866,390	(3,555,050)	2,337,277	(351,383)
Support and other revenue:									
Contributions:									
Foundations	-	325,000	-	-	-	325,000	-	-	325,000
Individuals	5,200	4,000	871	-	-	10,071	-	-	10,071
Corporations	89,595	179,157	190,324	-	-	459,076	-	-	459,076
Fundraising	1,823	-	-	-	-	1,823	-	-	1,823
Interest income	45	15	45	-	-	105	-	-	105
Other income	34,326	124,947	49,606	-	-	208,879	-	-	208,879
Rental income	-	-	-	-	-	-	2,434,447	(2,337,277)	97,170
TOTAL SUPPORT AND OTHER REVENUE	130,989	633,119	240,846	-	-	1,004,954	2,434,447	(2,337,277)	1,102,124
CHANGE IN NET ASSETS	113,656	776,400	882,436	(44,940)	143,792	1,871,344	(1,120,603)	-	750,741
Net assets at beginning of year	1,959,298	2,315,366	3,132,235	11,007	-	7,417,906	-	-	7,417,906
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 2,072,954	\$ 3,091,766	\$ 4,014,671	\$ (33,933)	\$ 143,792	\$ 9,289,250	\$ (1,120,603)	\$ -	\$ 8,168,647

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – GIRLS PREPARATORY CHARTER
SCHOOL OF NEW YORK

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	No. of Positions	Program Services			Supporting Services			Total	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2019	2018
Personnel services costs:									
Administrative staff personnel	26	\$ 1,112,592	\$ 233,006	\$ 1,345,598	\$ 555,401	\$ -	\$ 555,401	\$ 1,900,999	\$ 1,826,389
Instructional personnel	87	3,846,068	1,341,968	5,188,036	-	-	-	5,188,036	4,925,905
Non-instructional personnel	-	-	-	-	-	-	-	-	2,652
Total personnel services costs	113	4,958,660	1,574,974	6,533,634	555,401	-	555,401	7,089,035	6,754,946
Fringe benefits and payroll taxes		1,117,939	355,080	1,473,019	125,216	-	125,216	1,598,235	1,598,893
Retirement		87,540	27,805	115,345	9,805	-	9,805	125,150	130,681
Management company fees		1,046,837	209,368	1,256,205	224,322	14,955	239,277	1,495,482	1,425,853
Accounting and auditing services		-	-	-	20,943	-	20,943	20,943	21,052
Other professional and consulting services		59,595	27,670	87,265	108,058	-	108,058	195,323	173,834
Repairs and maintenance		48,915	15,537	64,452	5,479	-	5,479	69,931	8,703
Insurance		39,061	12,406	51,467	4,375	-	4,375	55,842	51,867
Utilities		55,685	17,687	73,372	6,237	-	6,237	79,609	69,144
Supplies and materials		318,890	71,609	390,499	-	-	-	390,499	292,422
Equipment and furnishings		7,117	2,260	9,377	797	-	797	10,174	4,646
Staff development		203,762	46,222	249,984	732	-	732	250,716	321,766
Marketing and recruiting		11,072	2,969	14,041	586	-	586	14,627	28,912
Technology		24,173	5,411	29,584	31,905	-	31,905	61,489	20,171
Food service		4,196	939	5,135	-	-	-	5,135	8,331
Student services		225,198	50,407	275,605	-	-	-	275,605	275,633
Office expense		153,930	39,109	193,039	33,585	-	33,585	226,624	136,088
Depreciation and amortization		139,923	44,443	184,366	15,672	-	15,672	200,038	213,377
		\$ 8,502,493	\$ 2,503,896	\$ 11,006,389	\$ 1,143,113	\$ 14,955	\$ 1,158,068	\$ 12,164,457	\$ 11,536,319

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
BOYS PREPARATORY CHARTER SCHOOL OF NEW YORK

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	No. of Positions	Program Services			Supporting Services			Total	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2019	2018
Personnel services costs:									
Administrative staff personnel	20	\$ 588,563	\$ 146,444	\$ 735,007	\$ 407,856	\$ -	\$ 407,856	\$ 1,142,863	\$ 903,762
Instructional personnel	88	3,700,181	574,125	4,274,306	-	-	-	4,274,306	2,768,079
Non-instructional personnel	1	13,442	3,621	17,063	-	-	-	17,063	29,966
Total personnel services costs	109	4,302,186	724,190	5,026,376	407,856	-	407,856	5,434,232	3,701,807
Fringe benefits and payroll taxes		952,735	160,375	1,113,110	90,321	-	90,321	1,203,431	836,791
Retirement		35,700	6,010	41,710	3,385	-	3,385	45,095	32,185
Management company fees		836,597	167,320	1,003,917	179,271	11,951	191,222	1,195,139	736,782
Legal services		-	-	-	1,698	-	1,698	1,698	-
Accounting and auditing services		-	-	-	14,472	-	14,472	14,472	11,731
Other professional and consulting services		66,973	31,031	98,004	127,972	-	127,972	225,976	113,047
Building rent / lease / facility finance interest		1,813,173	305,212	2,118,385	171,892	-	171,892	2,290,277	-
Repairs and maintenance		-	-	-	-	-	-	-	130,828
Insurance		35,460	5,969	41,429	3,362	-	3,362	44,791	27,685
Utilities		55,516	9,345	64,861	5,263	-	5,263	70,124	37,790
Supplies and materials		304,109	89,958	394,067	-	-	-	394,067	244,186
Equipment and furnishings		14,855	2,501	17,356	1,408	-	1,408	18,764	27,348
Staff development		86,981	23,321	110,302	102	-	102	110,404	194,871
Marketing and recruiting		20,181	4,994	25,175	415	-	415	25,590	12,981
Technology		14,721	3,966	18,687	22,406	-	22,406	41,093	17,929
Food service		101,551	27,354	128,905	-	-	-	128,905	6,619
Student services		121,939	32,847	154,786	-	-	-	154,786	144,010
Office expense		109,637	24,231	133,868	18,973	-	18,973	152,841	128,687
Depreciation and amortization		206,041	34,683	240,724	19,533	-	19,533	260,257	134,557
		\$ 9,078,355	\$ 1,653,307	\$ 10,731,662	\$ 1,068,329	\$ 11,951	\$ 1,080,280	\$ 11,811,942	\$ 6,539,834

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
GIRLS PREPARATORY CHARTER SCHOOL OF THE BRONX

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	No. of Positions	Program Services			Supporting Services			Total	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2019	2018
Personnel services costs:									
Administrative staff personnel	22	\$ 1,085,883	\$ 222,419	\$ 1,308,302	\$ 726,817	\$ -	\$ 726,817	\$ 2,035,119	\$ 1,658,185
Instructional personnel	108	4,299,839	1,308,456	5,608,295	-	-	-	5,608,295	6,472,008
Total personnel services costs	130	5,385,722	1,530,875	6,916,597	726,817	-	726,817	7,643,414	8,130,193
Fringe benefits and payroll taxes		1,186,224	337,181	1,523,405	160,084	-	160,084	1,683,489	1,782,608
Retirement		91,750	26,079	117,829	12,382	-	12,382	130,211	118,752
Management company fees		1,217,887	243,578	1,461,465	260,976	17,398	278,374	1,739,839	1,653,781
Accounting and auditing services		-	-	-	22,943	-	22,943	22,943	21,051
Other professional and consulting services		131,666	41,578	173,244	121,885	-	121,885	295,129	224,937
Rent		1,460	320	1,780	-	-	-	1,780	-
Repairs and maintenance		12,794	3,636	16,430	1,726	-	1,726	18,156	14,960
Insurance		45,309	12,879	58,188	6,115	-	6,115	64,303	57,627
Utilities		52,780	15,003	67,783	7,123	-	7,123	74,906	78,053
Supplies and materials		543,899	123,065	666,964	-	-	-	666,964	345,980
Equipment and furnishings		9,235	2,625	11,860	1,246	-	1,246	13,106	28,738
Staff development		198,941	43,851	242,792	447	-	447	243,239	293,675
Marketing and recruiting		10,553	2,991	13,544	1,407	-	1,407	14,951	37,731
Technology		22,205	4,871	27,076	29,109	-	29,109	56,185	69,834
Food service		6,351	1,393	7,744	-	-	-	7,744	20,690
Student services		323,806	71,024	394,830	-	-	-	394,830	282,697
Office expense		184,020	46,109	230,129	34,028	-	34,028	264,157	166,411
Depreciation and amortization		210,662	59,880	270,542	28,429	-	28,429	298,971	346,187
Other		22,377	-	22,377	-	-	-	22,377	36,986
		\$ 9,657,641	\$ 2,566,938	\$ 12,224,579	\$ 1,414,717	\$ 17,398	\$ 1,432,115	\$ 13,656,694	\$ 13,710,891

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
PREPREP: THE JOAN GANZ COONEY EARLY LEARNING PROGRAM

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	No. of Positions	Program Services	Supporting Services		Total	
		Pre-K	Management and general	Fundraising and special events	Year ended June 30,	
					2019	2018
Personnel services costs:						
Instructional personnel	5	\$ 340,209	\$ -	\$ -	\$ 340,209	\$ 258,141
Total personnel services costs	5	340,209	-	-	340,209	258,141
Fringe benefits and payroll taxes		83,542	-	-	83,542	70,137
Retirement		6,734	-	-	6,734	2,391
Other professional and consulting services		-	5,520	-	5,520	5,607
Repairs and maintenance		-	-	-	-	180
Insurance		-	-	-	-	3,055
Supplies and materials		8,628	-	-	8,628	10,720
Staff development		4,525	30	-	4,555	766
Marketing and recruiting		-	-	-	-	450
Technology		-	-	-	-	2,564
Student services		-	-	-	-	2,926
Office expense		-	1,127	-	1,127	839
Depreciation and amortization		11,181	-	-	11,181	12,693
		<u>\$ 454,819</u>	<u>\$ 6,677</u>	<u>\$ -</u>	<u>\$ 461,496</u>	<u>\$ 370,469</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
PREPREP 2

YEAR ENDED JUNE 30, 2019

		Program Services	Supporting Services		Total
	No. of Positions		Management and general	Fundraising and special events	Year ended June 30, 2019
		Pre-K 2			
Personnel services costs:					
Administrative staff personnel	-	\$ 33,403	\$ 7,000	\$ -	\$ 40,403
Instructional personnel	<u>6</u>	<u>246,382</u>	<u>-</u>	<u>-</u>	<u>246,382</u>
Total personnel services costs	6	279,785	7,000	-	286,785
Fringe benefits and payroll taxes		37,912	948	-	38,860
Rent		47,000	-	-	47,000
Insurance		4,282	-	-	4,282
Utilities		-	5,173	-	5,173
Supplies and materials		14,287	-	-	14,287
Equipment and furnishings		889	-	-	889
Staff development		21,750	-	-	21,750
Marketing and recruiting		1,352	-	-	1,352
Food service		24,640	-	-	24,640
Student services		1,969	-	-	1,969
Office expense		-	6,374	-	6,374
Depreciation and amortization		<u>16,167</u>	<u>-</u>	<u>-</u>	<u>16,167</u>
		<u>\$ 450,033</u>	<u>\$ 19,495</u>	<u>\$ -</u>	<u>\$ 469,528</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES – FRIENDS OF GIRLS PREP

YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>				<u>Supporting</u>	<u>Total</u>
	<u>Regular</u>	<u>Special</u>	<u>Pre-K</u>	<u>Sub-total</u>	<u>Services</u>	<u>Year ended</u>
	<u>Education</u>	<u>Education</u>			<u>Management</u>	<u>June 30,</u>
					<u>and</u>	<u>2019</u>
					<u>general</u>	
Other professional and consulting services	\$ 208,127	\$ 34,249	\$ -	\$ 242,376	\$ 21,076	\$ 263,452
Building rent / lease / facility finance interest	2,028,528	341,543	47,000	2,417,071	210,180	2,627,251
Repairs and maintenance	235,077	38,683	-	273,760	23,805	297,565
Utilities	12,388	2,038	-	14,426	1,254	15,680
Office expense	48,126	7,919	-	56,045	4,874	60,919
Depreciation and amortization	229,244	37,724	-	266,968	23,215	290,183
	<u>\$ 2,761,490</u>	<u>\$ 462,156</u>	<u>\$ 47,000</u>	<u>\$ 3,270,646</u>	<u>\$ 284,404</u>	<u>\$ 3,555,050</u>