

Financial Statements and Report of
Independent Certified Public
Accountants

Children's Aid College Prep Charter School

June 30, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Children's Aid College Prep Charter School

Report on the financial statements**Opinion**

We have audited the financial statements of Children's Aid College Prep Charter School (the "Charter School"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Charter School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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.

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

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

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

Other reporting required by Government Auditing Standards

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

Grant Thornton LLP

New York, New York
November 1, 2023

Children's Aid College Prep Charter School

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,740,916	\$ 4,844,736
Government grants receivables	2,464,821	1,414,666
Right-of-use assets	34,248	-
Prepaid expenses and other assets	91,073	117,195
Total current assets	4,331,058	6,376,597
Property and equipment, net	140,361	162,942
Total assets	\$ 4,471,419	\$ 6,539,539
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 331,774	\$ 196,515
Accrued payroll and benefits	1,303,459	1,460,883
Deferred revenue	201,600	283,575
Right-of-use liabilities	34,248	-
Due to affiliated entities	778,345	827,577
Total current liabilities	2,649,426	2,768,550
Commitments and contingencies		
Net assets		
Without donor restrictions	1,321,993	3,720,989
With donor restrictions	500,000	50,000
Total net assets	1,821,993	3,770,989
Total liabilities and net assets	\$ 4,471,419	\$ 6,539,539

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

Children's Aid College Prep Charter School

STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Public school district			
Resident student enrollment	\$ 9,923,454	\$ -	\$ 9,923,454
Students with disabilities	1,664,494	-	1,664,494
Grants and contracts			
State and local	1,803,026	-	1,803,026
Federal - Title 1 and IDEA	517,565	-	517,565
Support			
Contributed space	423,695	-	423,695
Rental assistance	1,178,894	-	1,178,894
Net assets released from restrictions	50,000	(50,000)	-
Other	37,995	-	37,995
	<u>15,599,123</u>	<u>(50,000)</u>	<u>15,549,123</u>
Total operating revenue and support			
Operating expenses			
Program services			
Regular education	15,843,028	-	15,843,028
Special education	1,908,776	-	1,908,776
	<u>17,751,804</u>	<u>-</u>	<u>17,751,804</u>
Total program expenses			
Supporting services			
Management and general	1,227,481	-	1,227,481
Fundraising	1,323	-	1,323
	<u>1,228,804</u>	<u>-</u>	<u>1,228,804</u>
Total supporting expenses			
Total operating expenses	<u>18,980,608</u>	<u>-</u>	<u>18,980,608</u>
Deficit from school programs	<u>(3,381,485)</u>	<u>(50,000)</u>	<u>(3,431,485)</u>
Other revenues			
Contribution from Children's Aid	500,000	-	500,000
Contributions from others	482,489	500,000	982,489
	<u>982,489</u>	<u>500,000</u>	<u>1,482,489</u>
Total other revenue			
Changes in net assets	(2,398,996)	450,000	(1,948,996)
Net assets - beginning of the year	<u>3,720,989</u>	<u>50,000</u>	<u>3,770,989</u>
Net assets - end of the year	<u>\$ 1,321,993</u>	<u>\$ 500,000</u>	<u>\$ 1,821,993</u>

The accompanying notes are an integral part of this financial statement.

Children's Aid College Prep Charter School

STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Public school district			
Resident student enrollment	\$ 9,722,241	\$ -	\$ 9,722,241
Students with disabilities	1,845,631	-	1,845,631
Grants and contracts			
State and local	757,104	-	757,104
Federal - Title 1 and IDEA	477,073	-	477,073
Support			
Contributed space	423,695	-	423,695
Rental Assistance	1,024,980	-	1,024,980
Net assets released from restrictions	83,738	(83,738)	-
PPP Loan forgiveness	1,400,000	-	1,400,000
Other	29,011	-	29,011
	<u>15,763,473</u>	<u>(83,738)</u>	<u>15,679,735</u>
Total operating revenue and support			
Operating expenses			
Program services			
Regular education	13,833,148	-	13,833,148
Special education	1,086,797	-	1,086,797
	<u>14,919,945</u>	<u>-</u>	<u>14,919,945</u>
Total program expenses			
Supporting services			
Management and general	987,048	-	987,048
Fundraising	422	-	422
	<u>987,470</u>	<u>-</u>	<u>987,470</u>
Total supporting expenses			
Total operating expenses	<u>15,907,415</u>	<u>-</u>	<u>15,907,415</u>
Deficit from school programs	<u>(143,942)</u>	<u>(83,738)</u>	<u>(227,680)</u>
Other revenue			
Contribution from Children's Aid	500,000	-	500,000
Contributions from others	162,234	-	162,234
	<u>662,233</u>	<u>-</u>	<u>662,233</u>
Total other revenue			
Changes in net assets	518,291	(83,738)	434,553
Net assets - beginning of the year	<u>3,202,698</u>	<u>133,738</u>	<u>3,336,436</u>
Net assets - end of the year	<u>\$ 3,720,989</u>	<u>\$ 50,000</u>	<u>\$ 3,770,989</u>

The accompanying notes are an integral part of this financial statement.

Children's Aid College Prep Charter School

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

	Program Services			Supporting Services			Total 2023
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 8,515,072	\$ 437,790	\$ 8,952,862	\$ -	\$ -	\$ -	\$ 8,952,862
Fringe benefits and payroll taxes	1,491,103	104,799	1,595,902	-	-	-	1,595,902
Retirement	73,428	6,355	79,783	82,772	-	82,772	162,555
Management company fees - contracted services	1,162,206	308,941	1,471,147	1,089,804	-	1,089,804	2,560,951
Legal service	14,280	-	14,280	9,077	-	9,077	23,357
Accounting/audit services	-	-	-	43,921	-	43,921	43,921
Other purchased/professional/consulting services	634,167	87,929	722,096	-	-	-	722,096
Building and land rent/lease	1,580,002	420,000	2,000,002	-	-	-	2,000,002
Repairs and maintenance	351,257	50,611	401,868	-	-	-	401,868
Insurance	89,302	23,739	113,041	-	-	-	113,041
Utilities	100,207	26,637	126,844	-	-	-	126,844
Supplies/materials	622,964	122,867	745,831	-	-	-	745,831
Staff development	161,569	24,727	186,296	-	-	-	186,296
Marketing/recruitment	11,759	109,164	120,923	-	-	-	120,923
Technology	344,231	19,203	363,434	-	-	-	363,434
Food service	96,684	24,009	120,693	-	-	-	120,693
Student services	77,245	20,533	97,778	-	-	-	97,778
Office expense	26,551	5,215	31,766	-	-	-	31,766
Depreciation and amortization	63,094	16,771	79,865	-	-	-	79,865
Other	93,188	10,510	103,698	1,907	1,323	3,230	106,928
In-kind donations	334,719	88,976	423,695	-	-	-	423,695
Total expenses	\$ 15,843,028	\$ 1,908,776	\$ 17,751,804	\$ 1,227,481	\$ 1,323	\$ 1,228,804	\$ 18,980,608

The accompanying notes are an integral part of this financial statement.

Children's Aid College Prep Charter School

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2022

	Program Services			Supporting Services			Total 2022
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 6,932,069	\$ 491,259	\$ 7,423,328	\$ -	\$ -	\$ -	\$ 7,423,328
Fringe benefits and payroll taxes	1,360,366	131,400	1,491,766	-	-	-	1,491,766
Retirement	78,340	4,816	83,156	-	-	-	83,156
Management company fees - contracted services (Note 11)	1,117,359	297,019	1,414,378	934,323	-	934,323	2,348,701
Legal service	-	-	-	-	-	-	-
Accounting/audit services	189	-	189	46,750	-	46,750	46,939
Other purchased/professional/consulting services	356,580	1,486	358,066	-	-	-	358,066
Building and land rent/lease	2,000,000	-	2,000,000	-	-	-	2,000,000
Repairs and maintenance	299,174	34,803	333,977	-	-	-	333,977
Insurance	103,074	-	103,074	-	-	-	103,074
Utilities	128,230	2,212	130,442	-	-	-	130,442
Supplies/materials	538,346	8,312	546,658	-	-	-	546,658
Staff development	38,904	-	38,904	-	-	-	38,904
Marketing/recruitment	75,438	-	75,438	-	-	-	75,438
Technology	181,949	156	182,105	-	-	-	182,105
Food service	63,372	-	63,372	-	-	-	63,372
Student services	29,744	-	29,744	-	-	-	29,744
Office expense	56,810	-	56,810	-	-	-	56,810
Depreciation and amortization	65,896	25,938	91,834	-	-	-	91,834
Other	72,589	420	73,009	5,975	422	6,397	79,406
In-kind donations	334,719	88,976	423,695	-	-	-	423,695
Total expenses	\$ 13,833,148	\$ 1,086,797	\$ 14,919,945	\$ 987,048	\$ 422	\$ 987,470	\$ 15,907,415

The accompanying notes are an integral part of this financial statement.

Children's Aid College Prep Charter School

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2023

	2023	2022
Cash flows from operating activities		
Changes in net assets	\$ (1,948,996)	\$ 434,553
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	79,865	91,834
Changes in operating assets and liabilities:		
(Increase) decrease in net assets		
Government grants receivables	(1,050,155)	(853,087)
Prepaid expenses and other assets	26,122	(5,457)
Accounts payable and accrued expenses	135,259	(293,965)
Accrued payroll and benefits	(157,424)	90,378
Paycheck Protection Program loan forgiveness	-	(1,400,000)
Due to affiliated entities	(49,232)	445,036
Deferred revenue	(81,975)	283,575
	(3,046,536)	(1,207,133)
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(57,284)	-
	(57,284)	-
Net cash used in investing activities		
	(3,103,820)	(1,207,133)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	4,844,736	6,051,869
Cash and cash equivalents, beginning of year		
	\$ 1,740,916	\$ 4,844,736
Cash and cash equivalents, end of year		
	\$ 1,740,916	\$ 4,844,736

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

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

Children's Aid College Prep Charter School (the "Charter School") is an educational corporation formed to operate a charter school located in the City of New York, County of the Bronx. On September 13, 2011, the Board of Regents of the University of the State of New York, for and on behalf of the State Education Department, granted a provisional charter ("Charter Agreement"), incorporating the Charter School. This agreement was renewed on June 28, 2022 and is valid until July 31, 2027.

The Charter School's mission is to ensure that children achieve academic success by providing them with the best instructional practices, advancing their physical, emotional, and social needs, fostering a sense of pride and hope, and serving as a safe and engaging community hub. The Charter School serves over 630 scholars, including students enrolled in kindergarten through eighth grade and prioritizes students who are English language learners, at risk of academic failure and/or currently involved in the child welfare system.

The Charter School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the "Code") and is classified as an organization described in Section 501(c)(3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations. In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

Net Asset Classification

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

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions, if any. Accordingly, net assets are classified and reported as follows:

Without Donor Restrictions - The part of net assets that not restricted by donor-imposed stipulations and/or net assets which the Board of Trustees has available in carrying on the operations of the Charter School.

With Donor Restrictions - Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School, or must be held permanently, pursuant to those stipulations.

Cash and Cash Equivalents

Cash equivalents include all highly liquid instruments purchased with original maturities of 90 days or less.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Contributions/Pledges

Contributions and bequests are recorded at fair value as with donor restrictions or without donor restrictions support depending on the existence or nature of any donor-imposed restrictions, and are recognized in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give are not included as support until such time as the conditions on which they depend are met.

Government Support

Revenue from state and local governments resulting from the Charter School’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 is recorded by the Charter School when qualifying expenditures are incurred and billable.

Allowance for Uncollectible Receivables

An allowance is recorded based on prior years’ collection experience and management’s analysis and evaluation of specific promises received. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. The Charter School determined that no allowance for doubtful accounts was necessary as of June 30, 2023 and 2022. This estimate is based on management’s assessment of the aged basis of its government funding sources, current economic conditions and the creditworthiness of its donors and grantors.

Property and Equipment

The Charter School capitalizes expenditures for furniture and equipment having a cost of \$5,000 or more and with useful lives greater than one year. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets.

Amortization of leasehold improvements is charged at the lesser of the life of the improvements or the term of the lease to which the betterments pertain.

The range of estimated useful lives follows:

Furniture and equipment	5 - 10 years
Leasehold improvements	Lesser of life of lease or economic life

Impairment of Long-Lived Assets to be Disposed of

Accounting Standards Codification (“ASC”) 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*, provides a single accounting model for long-lived assets to be disposed of. ASC 360-10 also changes the criteria for classifying an asset as held for sale, and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with ASC 360-10, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. There were no impairment charges for the years ended June 30, 2023 and 2022.

Revenue Recognition

The Charter School recognizes revenue from contributions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Charter School evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer is determined to be an exchange transaction, the Charter School applies guidance under FASB, ASC 606. If the transfer of assets is determined to be a contribution, the Charter School evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Charter School is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

The Charter School reports gifts of cash and other assets 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 time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to net assets without donor restrictions. Unconditional promises to give with payments due in future years are presumed to be time restricted by the donor until received and are reported as part of net assets with donor restrictions.

The Charter School recognizes gifts of land, buildings and equipment at fair value on the date of gift. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long such long-lived assets must be maintained, the Charter School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Charter School recognizes grants as revenue with donor restrictions when they are committed and releases such amounts into net assets without donor restrictions as related grant expenses are incurred to a maximum of the grant award.

The Charter School recognizes revenue from donor list rentals, conference fees and rental income, when earned.

Measure of Operations

The Charter School includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, except for monetary contributions.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Donated Services

The fair value of voluntary donated services are reported in the financial statements if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not otherwise provided by donation.

Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on time and effort.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues, expenses and disclosures in the financial statements. Actual results could differ from those estimates.

Income Taxes

The Charter School follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more-likely-than-not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Charter School is exempt from federal income tax under the Code Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Charter School has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The Charter School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements for the years ended June 30, 2023 and 2022.

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP.

The Charter School adopted the new lease standard on July 1, 2022 using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting periods beginning on July 1, 2022 are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with the Charter School's historical accounting treatment under ASC Topic 840, *Leases*.

To reduce the burden of adoption and ongoing compliance with Topic 842, a number of practical expedients and policy elections are available under the new guidance. The Charter School elected the "package of practical expedients" permitted under the transition guidance, which among other things, did not require

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. The Charter School has not elected the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term at adoption on July 1, 2022.

The Charter School made an accounting policy election under Topic 842 not to recognize (ROU) assets and lease liabilities for leases with a term of twelve months or less. For all other leases, the Charter School recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or July 1, 2022 for existing leases upon the adoption of Topic 842). To determine the present value of lease payments, the Charter School made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate for all leases, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Payments for terminating the lease and residual value guarantees are included in the lease payments only when it is probable they will be incurred.

the Charter School's leases may include a non-lease component representing additional services transferred to the Charter School, such as common area maintenance for real estate. the Charter School made an accounting policy election to account for each separate lease component and the non-lease components associated with that lease component as a single lease component for all asset classes. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of right-of-use assets and lease liabilities related to the Charter School's operating leases of \$59,732. The adoption of the new lease standard did not materially impact the Charter School's change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Charter School regularly monitors liquidity to meet its operating needs and other contractual commitments. The Charter School has various sources of liquidity at its disposal, including cash and cash equivalents, and receivables.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The following table presents the total financial assets held by the Charter School as of June 30, 2023 and 2022 that could be readily made available within one year of the statement of financial position date to meet general expenditures:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,740,916	\$ 4,844,736
Government grants receivables	<u>2,464,821</u>	<u>1,414,666</u>
 Total financial assets	 4,205,737	 6,259,402
 Contractual or donor-imposed restrictions:		
Purpose or time restricted gifts	<u>(500,000)</u>	<u>(50,000)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 3,705,737</u>	 <u>\$ 6,209,402</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 4 - GOVERNMENT GRANTS RECEIVABLES

Government grants receivables consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Due from the State of New York	\$ 34,084	\$ 261,083
Due from NYS with federal sources	<u>2,430,737</u>	<u>1,153,583</u>
	<u>\$ 2,464,821</u>	<u>\$ 1,414,666</u>

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 869,448	\$ 812,165
Leasehold improvements	<u>57,569</u>	<u>57,569</u>
	927,017	869,734
 Less: accumulated depreciation and amortization	 <u>(786,656)</u>	 <u>(706,792)</u>
	<u>\$ 140,361</u>	<u>\$ 162,942</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 amounted to \$79,865 and \$91,834, respectively.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

The Charter School’s net assets with donor restrictions as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Life coaching	\$ 500,000	\$ 50,000

Net assets with donor restrictions released for the years ended June 30, 2023 and 2022, were \$50,000 and \$67,000 for the Life Coaching program, respectively. Net assets with donor restrictions released for the years ended June 30, 2022 also included \$16,738 for the Middle School Expansion program.

NOTE 7 - RETIREMENT PLAN

Effective August 1, 2014, the Charter School sponsors a defined contribution retirement plan covering eligible employees. Pursuant to the plan, all employees can contribute up to the maximum allowed by law, and for eligible employees, the Charter School may make matching contributions equal to a discretionary percentage, to be determined by the Charter School. Eligible employees are all employees who have attained the age of at least 21 years of age, continuously employed for at least one full year and working a schedule of at least 1,000 hours per year. Employees become fully vested in the Charter School’s contributions to the plan on their behalf upon three years of service. Total retirement plan expense for the years ended June 30, 2023 and 2022 amounted to \$162,555 and \$83,156, respectively.

NOTE 8 - SCHOOL FACILITY

In fiscal year 2022, the Charter School operated in two Bronx locations: 1232 Southern Boulevard LLC (“1232 LLC”) and a site provided by the City of New York Department of Education (“DOE”) at 1919 Prospect Avenue. Beginning October 15, 2017, the Charter School leased approximately 35,000 square feet from 1232 Southern Boulevard LLC, which is a consolidating entity of the Children’s Aid Society. The building was placed into service on October 9, 2017 and rental payments from the Charter School to Children’s Aid commenced on October 15, 2017. The facilities and services provided by 1232 Southern Boulevard LLC to the Charter School are outlined in a Facility Use Agreement. The Charter School is paying market-rate rent of \$2,000,000 in each of fiscal years 2023 and 2022.

As part of the New York City Chancellor’s Charter School Initiative, the DOE committed space to the Charter School at no charge. The facilities and services provided by the DOE to the Charter School are outlined in a Shared Facility Use Agreement. During fiscal years 2023 and 2022, the Charter School quantified and recognized the fair value of the contributed space it receives for its instructional purposes, totaling \$423,695 and \$423,695, respectively, and recognized it as a component of contributed services revenue and allocated the related expense amongst the functional expense categories benefitted in its statements of activities and functional expenses.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The future minimum rental commitments for all noncancelable operating leases as of June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	
2024	\$ 26,852
2025	<u>8,084</u>
	34,936
Less: imputed interest	<u>(688)</u>
Total present value of lease liabilities	<u>\$ 34,248</u>

Office and school space expenses under one-year operating leases totaled \$2,000,000 for each of the years ended June 30, 2023 and 2022.

Certain grants and contracts may be subject to audit by funding sources. Such audits may result in disallowances of certain costs previously submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements.

NOTE 10 - CONCENTRATIONS

The Charter School receives a majority of its revenues from the New York State Education Department through the State University of New York Office of Charter Schools. The DOE provides general operating support to the Charter School based upon the location and the number of students enrolled. For the years ended June 30, 2023 and 2022, such operating support provided to the Charter School by the DOE totaled \$11,587,948 and \$11,567,872, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

Cash accounts that potentially subject the Charter School to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2023 and 2022, there was approximately \$1,490,000 and \$4,595,000, respectively, of cash and cash equivalents held by a bank that exceeded FDIC limits.

NOTE 11 - AFFILIATED-PARTY TRANSACTIONS

The Charter School and Children’s Aid Society (“Children’s Aid”), a not-for-profit organization, are affiliated through certain Board of Directors commonality. Children’s Aid provides administrative support services and other enrichment programs and services to the students of the Charter School (“wrap-around services”) under an agreement between the two entities. The Charter School pays an administrative fee equal to 7.5% of total operating expenses, excluding rent and depreciation, to Children’s Aid for the administrative services, which amounted to \$1,089,804 and \$934,323 for the years ended June 30, 2023 and 2022, respectively. In addition, the Charter School was charged a fee by Children’s Aid for wrap-around and other services totaling \$1,471,147 and \$1,414,378 for the years ended June 30, 2023 and 2022, respectively.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Children's Aid routinely receives contributions from private donors that are earmarked for the Charter School. These contributions are recorded as contribution revenue passed through by Children's Aid to the Charter School. The Charter School received \$482,489 and \$162,234 of contributions passed through from Children's Aid for the years ended June 30, 2023 and 2022, respectively. The Charter School has a payable to Children's Aid in the amount of \$777,860 and \$808,071 as of June 30, 2023 and 2022, respectively.

The Charter School and 1232 LLC, a limited liability company, are affiliated through Children's Aid, the sole member of 1232 LLC. The Charter School has a payable to 1232 LLC in the amount of \$485 and \$19,507 as of June 30, 2023 and 2022, respectively.

NOTE 12 - DEBT

On April 13, 2020, the Charter School received loan proceeds in the amount of \$1,400,000 through JPMorgan Chase bank under the U.S. Small Business Administration's Paycheck Protection Plan ("PPP"). The PPP, established, as part of the Coronavirus Aid, Relief and Economic Securities Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times their average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 0.98%, with a deferral of payment for the first six months. The Charter School received notice from the Small Business Association that the Loan was forgiven on August 10, 2021. The forgiveness of the loan was recorded as supporting revenues on the statement of activities for year end June 30, 2022.

NOTE 13 - CONTINGENCIES

The Charter School, in the normal course of its operations, could be a party to various legal proceedings and complaints, some of which would be covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Charter School is not aware of any claims or contingencies which, if asserted, would not be covered by insurance and would have a material adverse effect on the Charter School's financial position, changes in net assets or cash flows.

NOTE 14 - SUBSEQUENT EVENTS

Management has performed subsequent events procedures through November 1, 2023, which is the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Children's Aid College Prep Charter School

We have audited, 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 (*Government Auditing Standards*), the financial statements of Children's Aid College Prep Charter School (the "Charter School"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2023.

Report on internal control over financial reporting

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

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

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

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

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

Grant Thornton LLP

New York, New York
November 1, 2023