

Financial Statements and Report of
Independent Certified Public
Accountants

Children's Aid College Prep Charter School

June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 available to be 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 October 31, 2024, 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
October 31, 2024

Children's Aid College Prep Charter School

STATEMENTS OF FINANCIAL POSITION

June 30,

| | 2024 | 2023 |
|---------------------------------------|--------------|--------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,621,678 | \$ 1,740,916 |
| Government grants receivables | 1,309,215 | 2,464,821 |
| Right-of-use asset | - | 34,248 |
| Prepaid expenses and other assets | 270,803 | 91,073 |
| Total current assets | 3,201,696 | 4,331,058 |
| Property and equipment, net | 86,915 | 140,361 |
| Total assets | \$ 3,288,611 | \$ 4,471,419 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 55,377 | \$ 331,774 |
| Accrued payroll and benefits | 1,271,424 | 1,303,459 |
| Deferred revenue | 213,920 | 201,600 |
| Right-of-use liability | - | 34,248 |
| Due to affiliated entities | 924,259 | 778,345 |
| Total current liabilities | 2,464,980 | 2,649,426 |
| Commitments and contingencies | | |
| Net assets | | |
| Without donor restrictions | 573,631 | 1,321,993 |
| With donor restrictions | 250,000 | 500,000 |
| Total net assets | 823,631 | 1,821,993 |
| Total liabilities and net assets | \$ 3,288,611 | \$ 4,471,419 |

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

Children's Aid College Prep Charter School

STATEMENT OF ACTIVITIES

Year ended June 30, 2024

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|--------------------|
| Operating revenue and support | | | |
| Public school district | | | |
| Resident student enrollment | \$ 11,101,273 | \$ - | \$ 11,101,273 |
| Students with disabilities | 1,583,316 | - | 1,583,316 |
| Grants and contracts | | | |
| State and local | 861,864 | - | 861,864 |
| Federal - Title 1 and IDEA | 627,013 | - | 627,013 |
| Support | | | |
| Contributed space | 423,695 | - | 423,695 |
| Rental assistance | 1,217,154 | - | 1,217,154 |
| Net assets released from restrictions | 313,000 | (313,000) | - |
| Other | 86,082 | - | 86,082 |
| | <u>16,213,397</u> | <u>(313,000)</u> | <u>15,900,397</u> |
| Total operating revenue and support | | | |
| Operating expenses | | | |
| Program services | | | |
| Regular education | 15,112,075 | - | 15,112,075 |
| Special education | 1,535,490 | - | 1,535,490 |
| | <u>16,647,565</u> | <u>-</u> | <u>16,647,565</u> |
| Total program expenses | | | |
| Supporting services | | | |
| Management and general | 1,134,879 | - | 1,134,879 |
| | <u>1,134,879</u> | <u>-</u> | <u>1,134,879</u> |
| Total supporting expenses | | | |
| Total operating expenses | <u>17,782,444</u> | <u>-</u> | <u>17,782,444</u> |
| Deficit from school programs | <u>(1,569,047)</u> | <u>(313,000)</u> | <u>(1,882,047)</u> |
| Other revenues | | | |
| Contribution from Children's Aid | 500,000 | - | 500,000 |
| Contributions from others | 320,685 | 63,000 | 383,685 |
| | <u>820,685</u> | <u>63,000</u> | <u>883,685</u> |
| Total other revenues | | | |
| CHANGE IN NET ASSETS | (748,362) | (250,000) | (998,362) |
| Net assets - beginning of the year | <u>1,321,993</u> | <u>500,000</u> | <u>1,821,993</u> |
| Net assets - end of the year | <u>\$ 573,631</u> | <u>\$ 250,000</u> | <u>\$ 823,631</u> |

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

Children's Aid College Prep Charter School

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| 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 revenues | | | |
| CHANGE IN NET ASSETS | <u>(2,398,996)</u> | <u>450,000</u> | <u>(1,948,996)</u> |
| 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 FUNCTIONAL EXPENSES

Year ended June 30, 2024

| | Program Services | | | Supporting Services | | Total 2024 |
|--|----------------------|----------------------|---------------------------|---------------------------|------------------------------|----------------------|
| | Regular Education | Special Education | Total Program Services | Management and General | Total Supporting Services | |
| Salaries | \$ 8,112,147 | \$ 471,080 | \$ 8,583,227 | \$ - | \$ - | \$ 8,583,227 |
| Fringe benefits and payroll taxes | 1,560,089 | 111,667 | 1,671,756 | - | - | 1,671,756 |
| Retirement | 107,133 | 5,776 | 112,909 | - | - | 112,909 |
| Management company fees - contracted services | 1,439,895 | 316,075 | 1,755,970 | 1,067,812 | 1,067,812 | 2,823,782 |
| Legal service | - | - | - | 7,633 | 7,633 | 7,633 |
| Accounting/audit services | - | - | - | 56,764 | 56,764 | 56,764 |
| Other purchased/professional/consulting services | 210,918 | 54,328 | 265,246 | - | - | 265,246 |
| Building and land rent/lease | 1,639,999 | 360,000 | 1,999,999 | - | - | 1,999,999 |
| Repairs and maintenance | 79,193 | 2,756 | 81,949 | - | - | 81,949 |
| Insurance | 103,524 | 19,707 | 123,231 | - | - | 123,231 |
| Utilities | 110,248 | 23,864 | 134,112 | - | - | 134,112 |
| Supplies/materials | 677,613 | 4,478 | 682,091 | - | - | 682,091 |
| Staff development | 191,235 | 42,141 | 233,376 | - | - | 233,376 |
| Marketing/recruitment | 49,229 | 7,934 | 57,163 | - | - | 57,163 |
| Technology | 121,452 | 2,835 | 124,287 | - | - | 124,287 |
| Food service | 89,521 | 9,655 | 99,176 | - | - | 99,176 |
| Student services | 34,706 | 2,721 | 37,427 | - | - | 37,427 |
| Office expense | 171,356 | 12,581 | 183,937 | - | - | 183,937 |
| Depreciation and amortization | 52,969 | 11,627 | 64,596 | - | - | 64,596 |
| Other | 13,418 | - | 13,418 | 2,670 | 2,670 | 16,088 |
| In-kind donations - shared facility | 347,430 | 76,265 | 423,695 | - | - | 423,695 |
| Total expenses | \$ 15,112,075 | \$ 1,535,490 | \$ 16,647,565 | \$ 1,134,879 | \$ 1,134,879 | \$ 17,782,444 |

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

Children's Aid College Prep Charter School

STATEMENT OF FUNCTIONAL EXPENSES

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 - shared facility | 334,719 | 88,976 | 423,695 | - | - | - | 423,695 |
| Total expenses | <u>\$ 15,843,028</u> | <u>\$ 1,908,776</u> | <u>\$ 17,751,804</u> | <u>\$ 1,227,481</u> | <u>\$ 1,323</u> | <u>\$ 1,228,804</u> | <u>\$ 18,980,608</u> |

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

Children's Aid College Prep Charter School

STATEMENTS OF CASH FLOWS

Years ended June 30,

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Changes in net assets | \$ (998,362) | \$ (1,948,996) |
| Adjustments to reconcile net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 64,596 | 79,865 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in net assets | | |
| Government grants receivables | 1,155,606 | (1,050,155) |
| Prepaid expenses and other assets | (179,730) | 26,122 |
| Accounts payable and accrued expenses | (276,397) | 135,259 |
| Accrued payroll and benefits | (32,035) | (157,424) |
| Due to affiliated entities | 145,914 | (49,232) |
| Deferred revenue | 12,320 | (81,975) |
| | (108,088) | (3,046,536) |
| Net cash used in operating activities | | |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (11,150) | (57,284) |
| Net cash used in investing activities | (11,150) | (57,284) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (119,238) | (3,103,820) |
| Cash and cash equivalents, beginning of year | 1,740,916 | 4,844,736 |
| Cash and cash equivalents, end of year | \$ 1,621,678 | \$ 1,740,916 |

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

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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, revenues 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 is 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 financial instruments purchased with original maturities of 90 days or less.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

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, 2024 and 2023. 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, 2024 and 2023

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, 2024 and 2023.

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, 2024 and 2023

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 its financial statements for the years ended June 30, 2024 and 2023.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Charter School regularly monitors liquidity to meet its operating needs and other contractual commitments.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

The following table presents the total financial assets held by the Charter School as of June 30, 2024 and 2023 that could be readily made available within one year of the statement of financial position date to meet general expenditures:

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,621,678 | \$ 1,740,916 |
| Government grants receivables | <u>1,309,215</u> | <u>2,464,821</u> |
| Total financial assets | 2,930,893 | 4,205,737 |
| Contractual or donor-imposed restrictions: | | |
| Purpose or time restricted gifts | <u>(250,000)</u> | <u>(500,000)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,680,893</u> | <u>\$ 3,705,737</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, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|-----------------------------------|---------------------|---------------------|
| Due from the State of New York | \$ 130,885 | \$ 34,084 |
| Due from NYS with federal sources | <u>1,178,330</u> | <u>2,430,737</u> |
| | <u>\$ 1,309,215</u> | <u>\$ 2,464,821</u> |

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|---|------------------|-------------------|
| Furniture and equipment | \$ 880,598 | \$ 869,448 |
| Leasehold improvements | <u>57,569</u> | <u>57,569</u> |
| | 938,167 | 927,017 |
| Less: accumulated depreciation and amortization | <u>(851,252)</u> | <u>(786,656)</u> |
| | <u>\$ 86,915</u> | <u>\$ 140,361</u> |

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 amounted to \$64,596 and \$79,865, respectively.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

The Charter School’s net assets with donor restrictions as of June 30, 2024 and 2023 consist of the following:

| | <u>2024</u> | <u>2023</u> |
|---------------|-------------|-------------|
| Life coaching | \$ 250,000 | \$ 500,000 |

Net assets with donor restrictions released for the years ended June 30, 2024 and 2023, were \$313,000 and \$50,000 for the Life Coaching program, respectively.

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, 2024 and 2023 amounted to \$112,909 and \$162,555, 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 paid market-rate rent of \$2,000,000 in each of the fiscal years 2024 and 2023.

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 2024 and 2023, 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.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Charter School benefits from office and school space provided by the Children’s Aid Society under an operating lease that is subject to annual renewal. The value of such space which is paid to the Children’s Aid Society by the Charter School totaled \$2,000,000 for each of the years ended June 30, 2024 and 2023.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

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, 2024 and 2023, such operating support provided to the Charter School by the DOE totaled \$12,684,589 and \$11,587,948, 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, 2024 and 2023, there was approximately \$1,371,000 and \$1,490,000, 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 \$1,067,812 and \$1,089,804 for the years ended June 30, 2024 and 2023, respectively. In addition, the Charter School was charged a fee by Children's Aid for wrap-around and other services totaling \$1,934,554 and \$1,471,147 for the years ended June 30, 2024 and 2023, respectively.

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 from Children's Aid to the Charter School. The Charter School received \$383,685 and \$482,489 of contributions passed through from Children's Aid for the years ended June 30, 2024 and 2023, respectively. The Charter School has a payable to Children's Aid in the amount of \$920,713 and \$777,860 as of June 30, 2024 and 2023, 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 \$3,546 and \$485 as of June 30, 2024 and 2023, respectively.

NOTE 12 - 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.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 13 - SUBSEQUENT EVENTS

Management has performed subsequent events procedures through October 31, 2024, 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, 2024, 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 October 31, 2024.

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
October 31, 2024