

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NEW YORK, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REP S





Certified Public Accountants

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, 2020 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 over financial reporting.

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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, 2020, 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 27, 2020 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

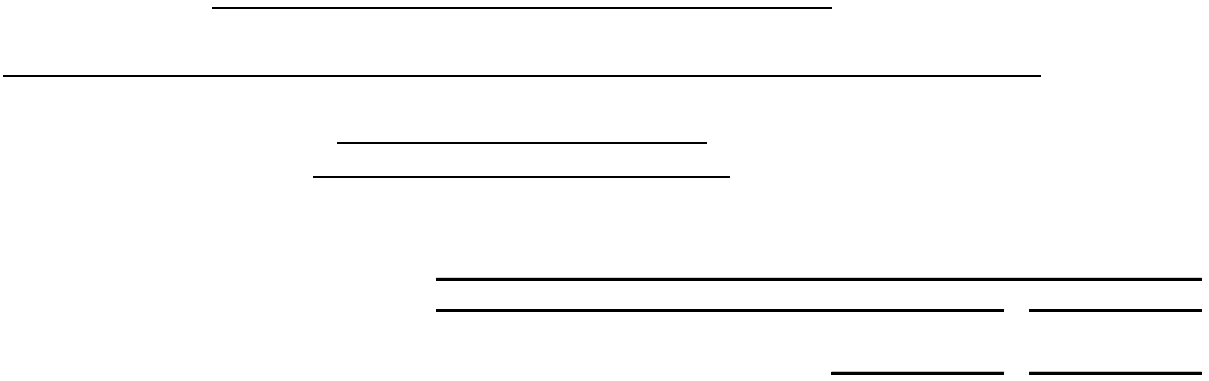
We have previously audited Public Prep Charter School Academies' consolidated financial statements as of and for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Emphasis of Matters

As discussed in Note A to the financial statements, in 2020, Public Prep Charter School Academies adopted new accounting guidance for recognition of revenue, contributions received, and statement of cash flows presentation. Our opinion is not modified with respect to these matters.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 27, 2020



PUBLIC PREP CHARTER SCHOOL ACADEMIES
CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Purchases of property and equipment financed with long-term debt	<u>\$ 1,019,129</u>	<u>\$ 3,000,000</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 142,984</u>	<u>\$ 109,574</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, 2020

(With Comparative Totals for 2019)

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”), Girls Preparatory Charter School of the Bronx II (“Girls Prep Bronx II”), PrePrep: the Joan Ganz Cooney Early Learning Program (“PrePrep”), PrePrep2 (“PrePrep2”), PrePrep3 (“PrePrep3”), 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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

PrePrep3 operates in the borough of Manhattan, New York. The Organization obtained approval from the New York City Department of Education to open a third Pre-K program. The contract authorizes operation of a universal prekindergarten program for a term of two years through June 30, 2021.

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:

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Universal Pre-Kindergarten (Pre-K)

Similar to public school district revenue, the Organization recognizes Pre-K revenue as educational programming is provided to students throughout the year. The maximum revenue amount is based on a contractually determined fixed amount per student and the number of students enrolled at a point in time. This amount could be further reduced if actual costs incurred in providing the Pre-K program are less than the maximum calculated amount of the contract. Amounts are paid in installments throughout the course of the year, with the final 5% paid upon submission of all required documentation at the end of the contract year. Revenue recognized from Pre-K programs totaled \$1,305,095 and \$869,876 for the years ended June 30, 2020 and 2019, respectively.

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	<u>June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Grants and contracts receivable	\$ 791,954	\$ 821,870	\$ 686,81

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PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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 a 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. Payment of the \$3,000,000 loan commenced in September 2018, and payment of the \$3,250,000 loan was to commence in year three of the lease term. 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, 2020 and

_____	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

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PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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 \$ N C ` aa ject d co

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PUBLIC PREP CHARTER SCHOOL ACADEMIES

OTHER FINANCIAL INFORMATION



Certified Public Accountants

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, 2020, and have issued our report thereon dated October 27, 2020, 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

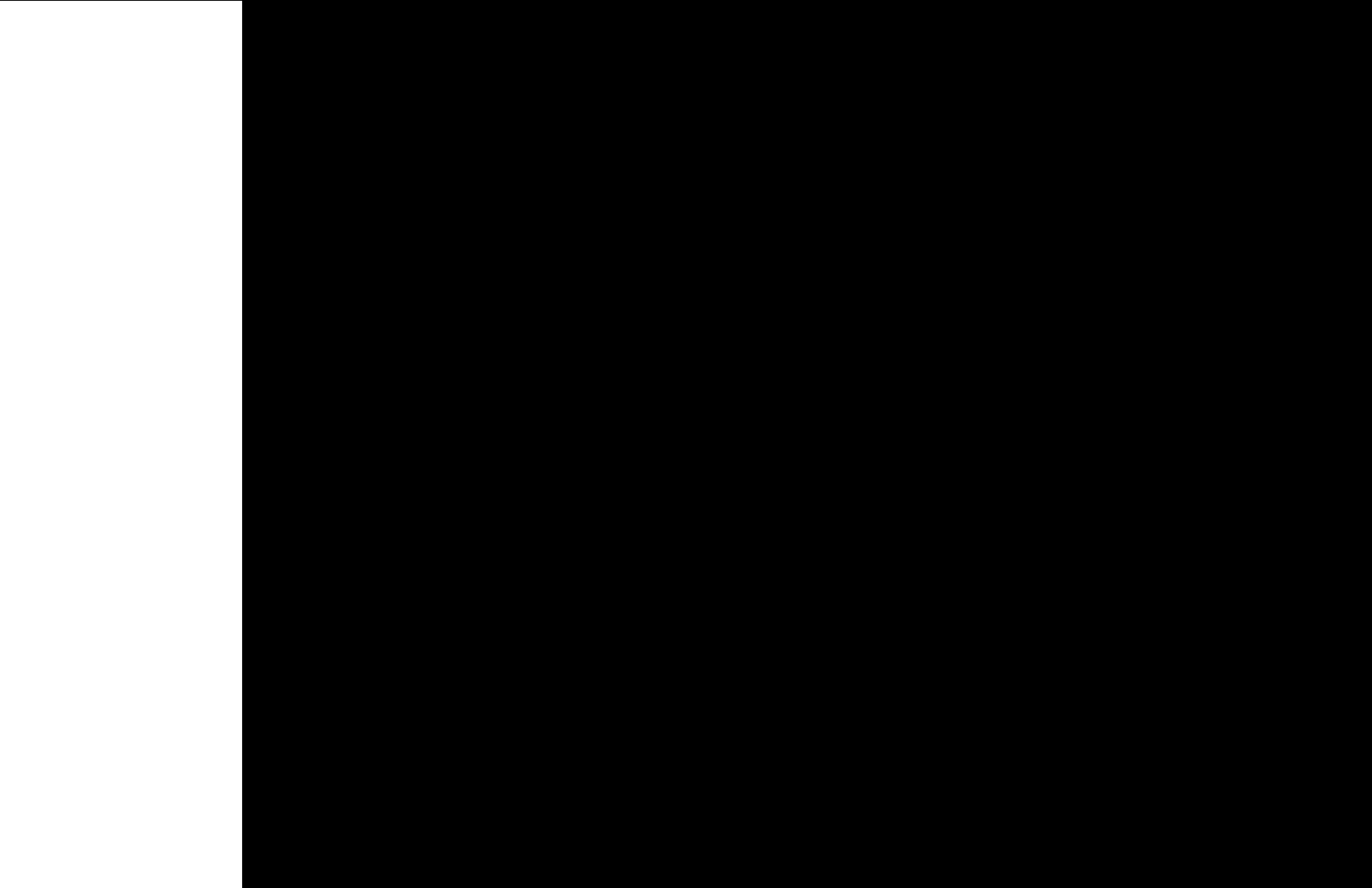
conducting the audit for the purpose of forming an opinion on the consolidated financial statements as a whole.

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Additional Offices: Elmira, NY; Canandaigua, NY; Hornell, NY; An Independent Member of the BDO Seidman Alliance

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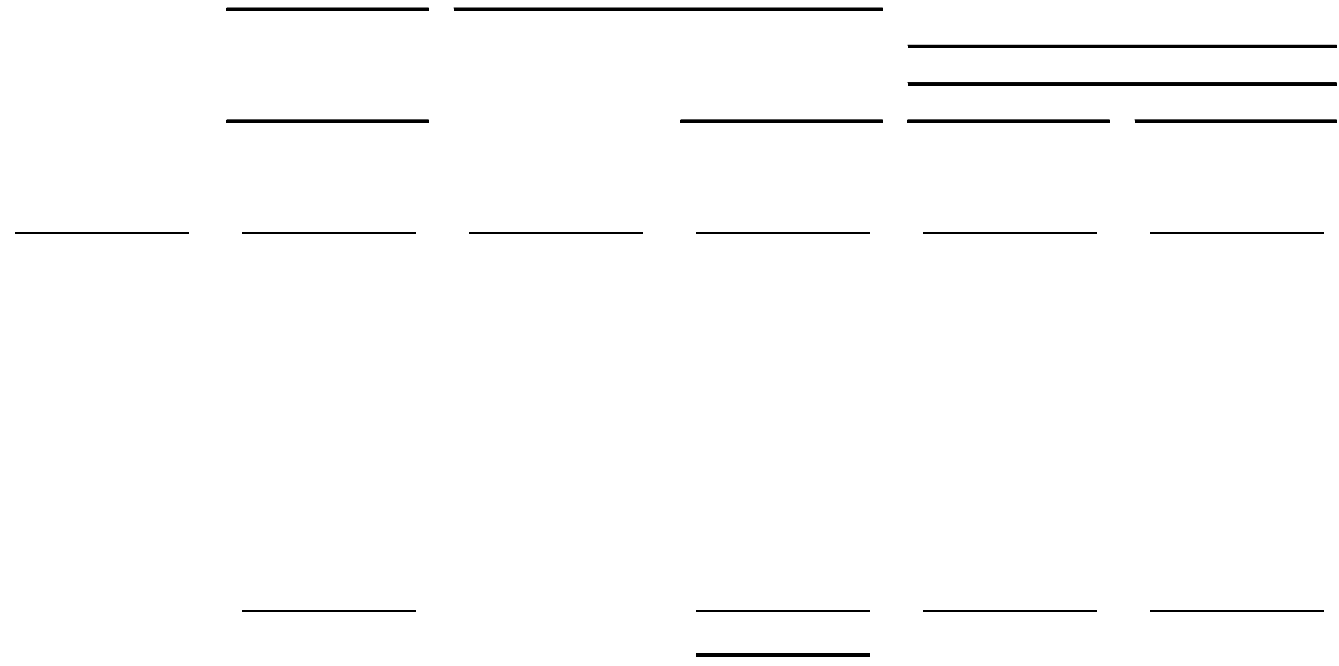
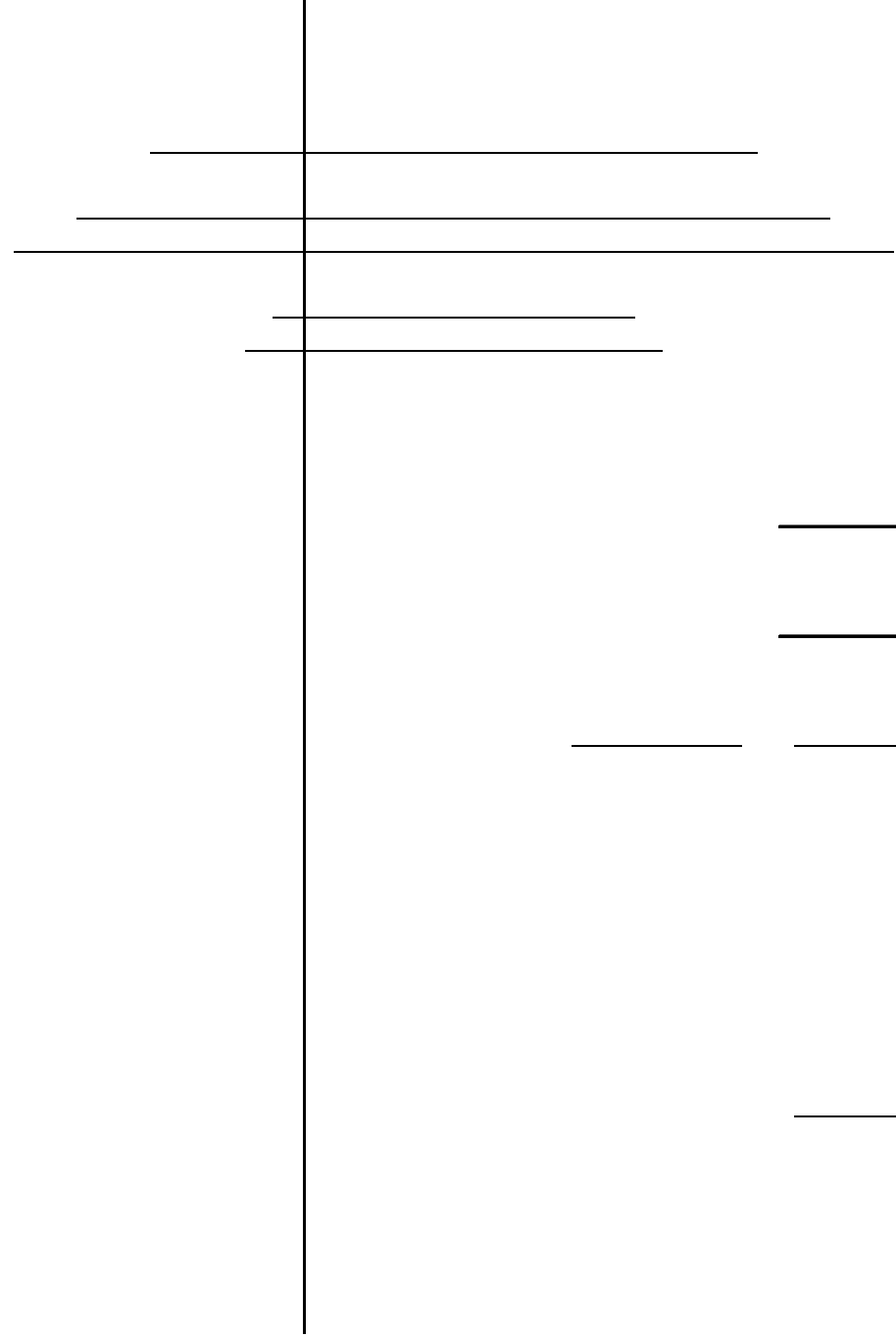


PUBLIC PREP CHARTER SCHOOL ACADEMIES

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

YEAR ENDED JUNE 30, 2020

	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, 2020
Personnel services costs:								
Administrative staff personnel	1	\$ 91,094	\$ 7,870	\$ 98,964	\$ 58,433	\$ -	\$ 58,433	\$ 157,397
Total personnel services costs	1	91,094	7,870	98,964	58,433	-	58,433	157,397
Fringe benefits and payroll taxes		14,639	1,265	15,904	9,390	-	9,390	25,294
Retirement		1,151	99	1,250	738	-	738	1,988
Management company fees		114,500	-	114,500	85,500	-	85,500	200,000
Other professional and consulting services		-	-	-	9,000	-	9,000	9,000
Staff development		-	-	-	250	-	250	250
Marketing and recruiting		18,190	2,045	20,235	218	-	218	20,453
Technology		-	-	-	814	-	814	814
Depreciation and amortization		559	-	559	-	-	-	559
Other		-	-	-	124	-	124	124
		<u>\$ 240,133</u>	<u>\$ 11,279</u>	<u>\$ 251,412</u>	<u>\$ 164,467</u>	<u>\$ -</u>	<u>\$ 164,467</u>	<u>\$ 415,879</u>



PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL

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