

Ascend Charter Schools

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2022 and 2021

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Independent Auditors' Report

**Board of Trustees
Ascend Charter Schools**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ascend Charter Schools (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of Ascend Charter Schools as of June 30, 2022 and 2021, 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 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ascend Charter Schools 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 Ascend Charter Schools' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards 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 Ascend Charter Schools' 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 Ascend Charter Schools' 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school, for the year ended June 30, 2022 on pages 21 through 30 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 31 and 32 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2022, on our consideration of Ascend Charter Schools' 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 Ascend Charter Schools' 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 Ascend Charter Schools' internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
November 25, 2022

Ascend Charter Schools

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 12,128,307	\$ 20,713,239
Certificates of deposit	15,013,898	5,001,751
Grants and contracts receivable	10,274,467	3,465,648
Due from related party	2,468,211	851,105
Prepaid expenses	590,625	510,686
Total Current Assets	40,475,508	30,542,429
Property and equipment, net	14,933,943	13,981,838
Security deposits	532,545	332,545
Restricted cash	325,296	325,243
	\$ 56,267,292	\$ 45,182,055
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,563,036	\$ 1,902,515
Accrued payroll and payroll taxes	4,129,421	3,899,174
Refundable advances	1,790,602	34,342
Loan payable, current portion	136,774	128,508
Deferred rent, current portion	1,931,928	1,517,581
Due to related party	4,187,541	191,028
Total Current Liabilities	15,739,302	7,673,148
Due to related party	-	947,317
Loan payable	1,939,040	2,074,541
Deferred rent	28,355,955	26,030,153
Total Liabilities	46,034,297	36,725,159
Net assets, without donor restrictions	10,232,995	8,456,896
	\$ 56,267,292	\$ 45,182,055

See notes to financial statements

Ascend Charter Schools

Statements of Activities

	Year Ended June 30,	
	2022	2021
OPERATING REVENUE		
State and local per pupil operating revenue		
General and special education	\$ 106,041,716	\$ 107,347,482
Facilities	14,237,165	13,124,972
Federal grants	14,223,586	6,359,560
Federal E-Rate and IDEA	2,132,471	1,451,072
State grants	572,852	349,107
Total Operating Revenue	137,207,790	128,632,193
EXPENSES		
Program Services		
Regular education	92,689,844	76,900,751
Special education	19,232,277	18,256,984
Total Program Services	111,922,121	95,157,735
Supporting Services		
Management and general	23,743,462	21,389,766
Total Expenses	135,665,583	116,547,501
Surplus from Operations	1,542,207	12,084,692
SUPPORT AND OTHER REVENUE		
Contributions	6,940	1,258,500
Rental income	200,000	135,000
Interest and other revenue	26,952	45,675
Total Support and Other Revenue	233,892	1,439,175
Change in Net Assets	1,776,099	13,523,867
NET ASSETS (DEFICIT)		
Beginning of year	8,456,896	(5,066,971)
End of year	\$ 10,232,995	\$ 8,456,896

Ascend Charter Schools

Statement of Functional Expenses Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	125	\$ 4,637,986	\$ 1,082,502	\$ 5,720,488	\$ 5,369,543	\$ 11,090,031
Instructional personnel	521	37,519,821	7,941,104	45,460,925	-	45,460,925
Non-instructional personnel	23	-	-	-	996,317	996,317
Total Personnel Services Costs	669	42,157,807	9,023,606	51,181,413	6,365,860	57,547,273
Employee benefits and payroll taxes						
Professional fees		8,876,649	2,134,495	11,011,144	1,502,945	12,514,089
Management fees		2,315,938	319,510	2,635,448	1,028,633	3,664,081
Consultants - education		5,671,336	907,272	6,578,608	9,466,776	16,045,384
Legal fees		584,454	242,115	826,569	-	826,569
Curriculum and classroom supplies		4,281,895	423,637	4,705,532	33,325	33,325
Office supplies		-	-	-	482,216	482,216
Non-capitalized furniture and equipment		278,657	62,362	341,019	47,377	388,396
Leased equipment, furniture and fixtures		431,708	105,208	536,916	74,377	611,293
Communications		3,366,789	465,480	3,832,269	338,529	4,170,798
Occupancy		18,858,075	4,308,266	23,166,341	3,266,267	26,432,608
Insurance		467,212	112,021	579,233	75,537	654,770
Repairs and maintenance		789,922	145,976	935,898	135,190	1,071,088
Security		1,605	233	1,838	252	2,090
Marketing and recruiting		161,740	41,392	203,132	21,797	224,929
Staff development		359,991	52,880	412,871	21,891	434,762
Travel and meals		911,443	164,309	1,075,752	90,197	1,165,949
Postage, printing and copying		76,991	20,017	97,008	14,063	111,071
Dues and subscriptions		575,862	139,154	715,016	97,628	812,644
Depreciation and amortization		2,423,733	544,521	2,968,254	424,282	3,392,536
Interest		98,037	19,823	117,860	17,370	135,230
Miscellaneous		-	-	-	238,950	238,950
Total Expenses		\$ 92,689,844	\$ 19,232,277	\$ 111,922,121	\$ 23,743,462	\$ 135,665,583

See notes to financial statements

Ascend Charter Schools

Statement of Functional Expenses Year Ended June 30, 2021

	No. of Positions	Program Services		Management and General	Total
		Regular Education	Special Education		
Personnel Services Costs					
Administrative staff personnel	84	\$ 4,419,203	\$ 1,100,240	\$ 4,747,903	\$ 10,267,346
Instructional personnel	551	31,895,130	7,928,067	-	39,823,197
Non-instructional personnel	30	-	-	881,136	881,136
Total Personnel Services Costs	665	36,314,333	9,028,307	5,629,039	50,971,679
Employee benefits and payroll taxes					
Professional fees		7,801,847	1,951,611	1,205,248	10,958,706
Management fees		974,422	251,862	500,281	1,726,565
Consultants - education		5,771,778	805,156	9,464,368	16,041,302
Legal fees		167,017	21,742	-	188,759
Curriculum and classroom supplies		1,176,469	153,651	69,143	69,143
Office supplies		-	-	-	1,330,120
Non-capitalized furniture and equipment		497,617	120,571	152,936	152,936
Leased equipment, furniture and fixtures		491,679	124,702	79,912	698,100
Communications		1,233,298	311,760	75,170	691,551
Occupancy		18,353,503	4,442,904	196,273	1,741,331
Insurance		426,710	104,251	3,009,264	25,805,671
Repairs and maintenance		469,547	128,465	62,304	593,265
Security		12,259	3,047	72,250	670,262
Marketing and recruiting		64,132	16,173	1,812	17,118
Staff development		178,320	46,749	10,084	90,389
Travel and meals		252,887	52,773	14,438	239,507
Postage, printing and copying		33,756	7,601	24,552	330,212
Dues and subscriptions		282,122	69,961	5,469	46,826
Depreciation and amortization		2,273,908	578,487	43,870	395,953
Interest		125,147	37,211	358,468	3,210,863
Miscellaneous		-	-	18,853	181,211
				396,032	396,032
Total Expenses		\$ 76,900,751	\$ 18,256,984	\$ 21,389,766	\$ 116,547,501

See notes to financial statements

Ascend Charter Schools

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,776,099	\$ 13,523,867
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	3,392,536	3,210,863
Deferred rent	2,740,149	4,549,995
Changes in operating assets and liabilities		
Grants and contracts receivable	(6,808,819)	(471,800)
Due from related party	(1,617,106)	(660,077)
Prepaid expenses	(79,939)	428,222
Security deposits	(200,000)	(531)
Accounts payable and accrued expenses	1,660,521	785,529
Accrued payroll and payroll taxes	230,247	(1,216,896)
Refundable advances	1,756,260	(150,400)
Due to related party	3,049,196	(1,787,896)
Net Cash from Operating Activities	5,899,144	18,210,876
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,344,641)	(5,417,118)
Purchase of certificates of deposit	(10,012,147)	(5,001,751)
Net Cash from Investing Activities	(14,356,788)	(10,418,869)
 CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments of loan payable	(127,235)	(89,548)
Net Change in Cash and Restricted Cash	(8,584,879)	7,702,459
 CASH AND RESTRICTED CASH		
Beginning of year	21,038,482	13,336,023
End of year	\$ 12,453,603	\$ 21,038,482
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 135,230	\$ 181,211

See notes to financial statements

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Tax Status

Ascend Charter Schools (collectively the “School”) is a New York State, not-for-profit educational corporation that was incorporated to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School’s mission is to equip their students with the knowledge, confidence and character to succeed in college and beyond.

The accompanying financial statements include the following charter schools collectively forming the School:

Brooklyn Ascend Charter School (“Brooklyn Ascend”) – Brooklyn Ascend was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Brooklyn Ascend obtained a renewal to its charter expiring on June 30, 2023.

Brownsville Ascend Charter School (“Brownsville Ascend”) – Brownsville Ascend was granted a provisional charter on January 13, 2009 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Brownsville Ascend obtained a renewal to its charter expiring on June 30, 2023.

Bushwick Ascend Charter School (“Bushwick Ascend”) – Bushwick Ascend was granted a provisional charter on February 9, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Bushwick Ascend obtained a renewal to its charter expiring on June 30, 2023.

Canarsie Ascend Charter School (“Canarsie Ascend”) – Canarsie Ascend was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Canarsie Ascend obtained a renewal to its charter expiring on July 31, 2023.

Central Brooklyn Ascend Charter School (“Central Brooklyn Ascend”) – Central Brooklyn Ascend was granted a provisional charter on January 1, 2013 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Central Brooklyn Ascend obtained a renewal to its charter expiring on July 31, 2024.

Cypress Hills Ascend Charter School (“Cypress Hills Ascend”) – Cypress Hills Ascend was granted a provisional charter on July 19, 2017 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. This charter will expire on July 31, 2023

East Brooklyn Ascend Charter School (“East Brooklyn Ascend”) – East Brooklyn Ascend was granted a provisional charter on July 19, 2017 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. This charter will expire on July 31, 2023.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Tax Status (*continued*)

East Flatbush Ascend Charter School (“East Flatbush Ascend”) – East Flatbush Ascend was granted a provisional charter on October 19, 2018 valid for terms of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. This charter will expire on October 31, 2024.

Flatbush Ascend Charter School (“Flatbush Ascend”) – Flatbush Ascend, previously named Lefferts Gardens Ascend, was granted a provisional charter on October 19, 2018 valid for terms of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. This charter will expire on October 31, 2024.

On March 8, 2019, the School was granted a provisional charter to operate Brooklyn Ascend Charter School 6, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School is in discussion with its Authorizer to extend the provisional charter by two years.

The School provided education to approximately 5,750 students in kindergarten through twelfth grades during the 2021-2022 academic year.

The School used outside vendors to serve breakfast and lunch to its students and files for reimbursement of expenses through the New York State and Federal school food program. The School covers the cost of breakfast and lunch for families who experience hardship and who do not qualify for free or reduced meals. The Office of Pupil Transportation provides free transportation to some of the students.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Assets Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School’s operations. Net assets without donor restrictions may be used at the discretion of the School’s management and/or the Board of Trustees.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Net Assets Presentation (continued)

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2022 and 2021.

Cash Equivalents

The School considers all cash-on-hand, cash in banks, and other short-term securities with maturities of three months or less at time of purchase to be cash and cash equivalents.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows at June 30:

	2022	2021
Cash and cash equivalents	\$ 12,128,307	\$ 20,713,239
Restricted cash	<u>325,296</u>	<u>325,243</u>
	<u>\$ 12,453,603</u>	<u>\$ 21,038,482</u>

Certificate of Deposit

Certificate of deposit are carried at cost plus accrued interest.

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment (continued)

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and technology	3 years
Equipment	3 and 5 years
Furniture and fixtures	5 and 7 years
Software	3 years
Website development	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount of the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2022 and 2021.

Refundable Advances

The School records certain government grants and contracts as refundable advances until the related services are performed, at which time it is recognized as revenue.

Deferred Rent

The School records its rent in accordance with U.S. GAAP whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statements of financial position.

Revenue and Support

Revenue from state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency. Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruiting

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Accordingly, all costs in marketing and recruitment are allocated to program and management and general expenditures and expensed as incurred. Marketing and recruiting expense for the years ended June 30, 2022 and 2021 was \$224,929 and \$90,389.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental and other sources that include contributions revenue, rental income, return on investments and other activities considered to be of a non-recurring nature.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2019.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 25, 2022.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

4. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of Ascend Learning, Inc. ("Ascend"), a New York State not-for-profit corporation, by common management. The School entered into a one year agreement with Ascend on July 1, 2021 which calls for Ascend to design, select and implement the School's educational program as well as the professional development activities for all the School personnel; recruit, supervise and evaluate the School's director; propose employment policies and practices relating to School personnel; and manage the School's business administration.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

4. Related Party Transactions (not disclosed elsewhere) (continued)

For the years ended June 30, 2022 and 2021, each charter school paid Ascend an annual fee of 13.25% of the School's per pupil operating revenue, per pupil facilities revenue and federal Individuals with Disabilities Education Act revenue. The management fee for the years ended June 30, 2022 and 2021 amounted to \$16,045,384 and \$16,041,302.

The School entered into a sublease agreement with Ascend on July 1, 2011. There are two amendments to the agreement. The terms of the agreement permit Ascend to use the 6th floor of one of the buildings that the School occupies. Ascend increased use of the floor over the term of the lease, and rent increased accordingly. Rental income for the years ended June 30, 2022 and 2021 amounted to \$200,000 and \$135,000.

The School is an affiliate of Friends of Ascend Charter Schools, Inc. ("FOA"), a New York State not-for-profit corporation, by common management. FOA's purpose is to support the operation of the School by managing the School's real estate and facilities-related needs, and by raising funds and resources that will enable FOA to provide support to the School and to enhance the experience of the School's students. The School entered into sublease agreements with FOA for classroom facilities (Note 10).

For operational efficiency and purchasing power, the School shares certain operating expenses with Ascend and FOA. The net balance due from/(to) the related parties consisted of the following at June 30:

	2022	2021
Ascend	\$ (4,187,541)	\$ (1,138,345)
FOA	2,468,211	851,105
	\$ (1,719,330)	\$ (287,240)

5. Property and Equipment

Property and equipment consist of the following as of June 30:

	2022	2021
Computers and technology	\$ 9,718,495	\$ 8,151,578
Equipment	1,384,073	1,193,963
Furniture and fixtures	4,761,068	4,660,284
Software	219,000	118,365
Website development	143,277	143,277
Leasehold improvements	12,747,862	12,989,802
Construction in progress	2,628,135	-
	31,601,910	27,257,269
Accumulated depreciation and amortization	(16,667,967)	(13,275,431)
	\$ 14,933,943	\$ 13,981,838

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

5. Property and Equipment (*continued*)

Construction-in-progress at June 30, 2022 is primarily comprised of costs related to the Rockaway Parkway and Pitkin Avenue facilities which are expected to be placed into service during the years ending June 30, 2023 and June 30, 2024 (See Note 10).

6. Liquidity and Availability of Financial Assets

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 12,128,307	\$ 20,713,239
Certificates of deposit	15,013,898	5,001,751
Grants and contracts receivable	10,274,467	3,465,648
Due from related party	<u>2,468,211</u>	<u>851,105</u>
	<u>\$ 39,884,883</u>	<u>\$ 30,031,743</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts and other liquid instruments until it is required for operational use. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (See Note 9).

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match employee contributions ranging from 1% to 5% of annual compensation. Total employer match for the years ended June 30, 2022 and 2021 was \$946,803 and \$625,116.

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash, cash equivalents, and certificates of deposit on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2022 and 2021, approximately \$26,630,000 and \$25,715,000 of cash was maintained with an institution in excess of FDIC limits.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2022 and 2021, the School received approximately 88% and 93% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

10. Commitments

School Facilities

Brooklyn Ascend

On March 19, 2008, Brooklyn Ascend entered into an agreement to lease property at 205 Rockaway Parkway, Brooklyn, New York for a period of 15 years. The landlord has renovated the facility to conform to the School's specifications in phases. As of June 30, 2022, Brooklyn Ascend has reimbursed the landlord a total of \$3,508,850 for these renovations which are classified as leasehold improvements under property and equipment in the statements of financial position. Pursuant to the fourth lease amendment, annual fixed rent will be reduced for years 8 through 15 due to deletion of certain projects. On July 28, 2016, Brooklyn Ascend signed a fifth amendment to renew the lease for 10 years. The renewal period commences on September 1, 2023.

On January 19, 2011, Brooklyn Ascend entered into an agreement to lease property at 123 East 98th Street, Brooklyn, New York for a period of 20 years. This location became the home of Brooklyn Ascend Middle School starting with the 2012-2013 academic year.

On July 2, 2012, Brooklyn Ascend entered into an agreement as a co-lessee with Brownsville Ascend to become a future tenant located at 1501 Pitkin Avenue, Brooklyn, New York. The occupancy period for the School is 17 years of the 20 year lease agreement. The facility became the home of Brooklyn Ascend High School, which began with the 2015-2016 academic year. The space is shared with Brownsville Ascend.

Pursuant to each facility lease agreement, the School will also reimburse the landlords for the proportionate share of the real estate taxes and any other costs associated with the leasing of the premises.

Brownsville Ascend

On June 22, 2010, Brownsville Ascend entered into an agreement to lease property at 1501 Pitkin Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 20 years, renewable for up to 20 additional years. There are seven amendments to the agreement as well as an additional letter agreement related to roof play space. Effective as of the fourth amendment, Brooklyn Ascend entered into the agreement as a co-lessee, and effective as of the 2015-2016 academic year, Brooklyn Ascend High School became a co-tenant of the building. Both schools will reimburse the landlord for their share of real estate taxes. Brownsville Ascend moved into the new permanent lease facility on August 20, 2012.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

10. Commitments (*continued*)

School Facilities (*continued*)

Bushwick Ascend

On July 29, 2011, the School entered into an agreement to lease property at 741-757 Knickerbocker Avenue, Brooklyn, New York for a period of 20 years, with a renewal option for an additional ten years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. As part of the agreement, the School has the right to mortgage its interest in the lease under a leasehold mortgage and assign the lease as collateral security for such leasehold mortgage. The facility is currently tax exempt, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

On March 30, 2015, the School entered into an agreement to lease property at 2 Aberdeen Street, Brooklyn, New York. As per the terms of the agreement, the lease is for a period of 30 years, commencing on June 1, 2015 and ending on June 30, 2045. This location became the home of Bushwick Ascend Middle School starting with the 2015-2016 academic year. The facility is currently tax exempt, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

On May 18, 2018, the two Bushwick Ascend leases were transferred to FOA and a new sublease agreement between FOA (sublandlord) and the School (subtenant) was entered into for a period of 28 years ending on June 30, 2045.

Canarsie Ascend

On April 1, 2013, Canarsie Ascend entered into an agreement to lease property at 9719 Flatlands Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 20 years, renewable for up to 10 additional years. The facility is currently tax exempt, but Canarsie Ascend will be responsible for any real estate taxes arising out of the School's occupancy.

On August 30, 2017, Canarsie Ascend entered into an agreement to lease property at 744 East 87th Street and 751 East 86th Street in Brooklyn, New York for a period of 30 years, commencing on June 15, 2017 and ending June 30, 2047.

The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy. On September 12, 2017, the lease agreement was transferred to FOA and a new sublease agreement between FOA (sublandlord) and the School (subtenant) was executed for a period of 30 years ending on June 30, 2047.

Central Brooklyn Ascend

On November 3, 2014, the School entered into an agreement to lease property at 465 East 29th Street, Brooklyn, New York. As per the terms of the agreement, the lease is for 30 years, commencing on June 1, 2015 and ending on June 30, 2045.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

10. Commitments (*continued*)

School Facilities (*continued*)

Central Brooklyn Ascend (*continued*)

The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy. On September 12, 2017, the lease agreement was transferred to FOA and a new sublease agreement between FOA (sublandlord) and the School (subtenant) was executed for a period of 28 years ending on June 30, 2045.

On September 12, 2017, the School entered into an agreement with FOA to sublease property at 1886 Nostrand Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 28 years, commencing on August 15, 2017 and ending on June 30, 2045. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

Cypress Hills Ascend

On February 22, 2018, the School entered into an agreement with FOA to sublease property at 396 Grant Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 30 years, commencing on February 1, 2018 and ending on June 30, 2048. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

East Brooklyn Ascend

On December 4, 2018, the School entered into an agreement with FOA to sublease property at 260 Shepherd Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 29 years, commencing on July 1, 2019 and ending on June 30, 2048. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

East Flatbush Ascend

On March 11, 2019, the School entered into an agreement with FOA to sublease property at 870 Albany Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 29 years, commencing on July 1, 2019 and ending on June 30, 2048. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

Flatbush Ascend

On April 1, 2020, the School entered into an agreement with FOA to sublease property at 123 Linden Boulevard, Brooklyn, New York. As per the terms of the agreement, the lease is for 19 years, commencing on July 1, 2020 and ending on June 30, 2039. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

10. Commitments (*continued*)

School Facilities (*continued*)

Future minimum lease payments under the facility leases (including the subleases with FOA) are as follows for the years ending June 30:

2023	\$ 22,201,821
2024	22,726,540
2025	22,999,942
2026	23,226,495
2027	23,696,940
Thereafter	<u>368,048,503</u>
	<u>\$ 482,900,241</u>

Rent expense is recognized on the straight-line basis over the term of the lease. The difference between cash payments under the lease agreements and the straight-line rent has been recognized as deferred rent in the accompanying statements of financial position from inception of the lease. The difference between rent cash payments and straight-line rent included in occupancy expense in the accompanying statements of functional expenses amounted to \$2,740,149 and \$4,549,995 for the years ended June 30, 2022 and 2021.

Occupancy expense for the years ended June 30, 2022 and 2021 was \$26,432,608 and \$25,805,671.

11. Loan Payable

On October 17, 2019, the School entered into a \$2,500,000 loan agreement with Nonprofit Finance Fund (“NFF”) for the purpose of financing the cost of renovations and improvements to the building leased by the School at 1501 Pitkin Avenue, Brooklyn, NY. The loan matures on November 1, 2026, at which time the School can either pay the outstanding balance on the loan in full or refinance. The loan is payable on a monthly basis in the amount of \$21,872 commencing on July 1, 2020 and the loan bears interest at 6.25% per annum. The loan is guaranteed by the School and secured on the leasehold interests of the School in the building. In addition, the School has granted a security interest in all of its other assets to secure the loan. Loan payments will be due on the first day of each succeeding month thereafter, until all amounts due under the loans are paid in full. The loan is a commitment that cannot be assigned without prior written approval from NFF.

The School must maintain five financial performance covenants all of which were assessed starting with the fiscal year ended June 30, 2020. For the years ended June 30, 2022 and 2021, the School is in compliance with all financial covenants.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

11. Loan Payable (*continued*)

Future minimum principal payments on the loan are as follows for years ended June 30:

2023	\$	136,774
2024		145,572
2025		154,935
2026		164,901
2027		<u>1,473,632</u>
	\$	<u>2,075,814</u>

12. Contingency

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

From time to time and in the ordinary course of business, the School may be subject to various claims, charges, and litigation. In the opinion of management, final judgement from such pending claims, charges, and litigations, if any, against the School would not have a material adverse effect on the School's financial position, results of operations or cash flows.

13. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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Ascend Charter Schools

Supplementary Information

June 30, 2022

Ascend Charter Schools

Schedule of Activities by School
Year Ended June 30, 2022

	Brooklyn Ascend	Brownsville Ascend	Bushwick Ascend	Canarsie Ascend	Central Brooklyn Ascend	Cypress Hills Ascend	East Brooklyn Ascend	East Flatbush Ascend	Flatbush Ascend	Total
OPERATING REVENUE										
State and local per pupil operating revenue	\$ 27,582,179	\$ 17,086,533	\$ 15,038,716	\$ 18,266,717	\$ 14,205,129	\$ 6,006,092	\$ 1,208,387	\$ 3,624,461	\$ 3,023,502	\$ 106,041,716
General and special education	2,385,888	1,431,149	1,261,992	2,689,808	2,840,142	1,485,176	346,478	971,041	835,491	14,237,165
Facilities	3,261,157	2,196,793	2,280,085	2,239,443	1,848,016	987,032	295,730	505,706	609,624	14,223,886
Federal grants	464,607	263,821	335,979	282,857	312,866	157,466	95,565	121,101	98,209	2,132,471
Federal E-Rate and IDEA	71,884	259,858	63,938	76,163	70,967	10,909	-	10,884	8,249	572,852
State and city grants	33,765,715	21,238,154	18,980,710	23,564,988	19,277,120	8,626,675	1,946,160	5,233,193	4,575,075	137,207,790
Total Operating Revenue										
EXPENSES										
Program Services	24,633,469	13,828,494	9,616,348	14,092,514	12,353,336	6,325,866	2,502,369	3,904,469	5,372,979	92,689,844
Regular education	3,303,606	2,867,669	5,331,350	2,568,748	2,344,116	1,005,188	738,913	769,852	302,835	19,232,277
Special education	27,997,075	16,696,163	14,947,698	16,661,262	14,697,452	7,331,054	3,241,282	4,674,321	5,675,814	111,922,121
Total Program Services										
Supporting Services	5,686,722	3,774,324	3,048,301	3,971,829	2,980,426	1,404,947	796,766	1,118,245	951,902	23,743,462
Management and general	33,693,797	20,470,487	17,995,999	20,633,091	17,677,878	8,736,001	4,038,048	5,792,566	6,627,716	135,665,583
Total Expenses										
Surplus (Deficit) from Operations	71,918	767,667	984,711	2,931,897	1,599,242	(109,326)	(2,091,888)	(559,373)	(2,052,641)	1,542,207
SUPPORT AND OTHER REVENUE										
Contributions	1,259	2,162	140	185	130	55	11	2,971	27	6,940
Rental income	200,000	-	-	-	-	-	-	-	-	200,000
Interest and other revenue	6,938	4,475	3,992	3,992	3,339	1,534	614	1,034	1,034	26,952
Total Support and Other Revenue	208,197	6,637	4,132	4,177	3,469	1,589	625	4,005	1,061	233,892
Change in Net Assets	280,115	774,304	988,843	2,936,074	1,602,711	(107,737)	(2,091,263)	(555,368)	(2,051,580)	1,776,099
NET ASSETS (DEFICIT)										
Beginning of year	2,972,205	6,842,773	3,317,649	3,898,789	952,384	(1,894,498)	(3,077,641)	(1,623,687)	(2,931,078)	8,456,896
End of year	\$ 3,252,320	\$ 7,617,077	\$ 4,306,492	\$ 6,834,863	\$ 2,555,095	\$ (2,002,235)	\$ (5,168,904)	\$ (2,179,055)	\$ (4,982,658)	\$ 10,232,995

Ascend Charter Schools

Schedule of Functional Expenses
 Brooklyn Ascend Charter School
 Year Ended June 30, 2022

	No. of Positions	Program Services		Management and General	Total
		Regular Education	Special Education		
Personnel Services Costs					
Administrative staff personnel	34	\$ 1,387,011	\$ 201,633	\$ 1,314,445	\$ 2,903,089
Instructional personnel	124	10,143,530	1,284,903	-	11,428,433
Non-instructional personnel	3	-	-	288,840	288,840
Total Personnel Services Costs	<u>161</u>	<u>11,530,541</u>	<u>1,486,536</u>	<u>1,603,285</u>	<u>14,620,362</u>
Employee benefits and payroll taxes		2,371,263	338,666	365,264	3,075,193
Professional fees		900,643	118,306	194,686	1,213,635
Management fees		1,413,007	227,145	2,360,219	4,000,371
Consultants - education		157,453	36,530	-	193,983
Legal fees		-	-	286	286
Curriculum and classroom supplies		1,075,357	96,879	-	1,172,236
Office supplies		-	-	86,745	86,745
Non-capitalized furniture and equipment		65,090	9,462	10,205	84,757
Leased equipment, furniture and fixtures		122,792	17,851	19,252	159,895
Communications		919,903	81,184	87,560	1,088,647
Occupancy		4,415,929	641,953	692,371	5,750,253
Insurance		131,341	19,201	19,493	170,035
Repairs and maintenance		416,192	60,503	65,254	541,949
Security		1,605	233	252	2,090
Marketing and recruiting		41,052	6,101	5,074	52,227
Staff development		89,074	11,384	3,030	103,488
Travel and meals		136,770	20,044	19,800	176,614
Postage, printing and copying		6,502	945	1,019	8,466
Dues and subscriptions		142,399	20,701	22,327	185,427
Depreciation and amortization		723,874	105,231	113,498	942,603
Interest		32,682	4,751	5,124	42,557
Miscellaneous		-	-	21,978	21,978
Total Expenses		<u>\$ 24,693,469</u>	<u>\$ 3,303,606</u>	<u>\$ 5,696,722</u>	<u>\$ 33,693,797</u>

Ascend Charter Schools

Schedule of Functional Expenses
Brownsville Ascend Charter School
Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	20	\$ 665,058	\$ 153,377	\$ 818,435	\$ 874,964	\$ 1,693,399
Instructional personnel	86	6,393,579	1,238,675	7,632,254	-	7,632,254
Non-instructional personnel	7	-	-	-	256,060	256,060
Total Personnel Services Costs	<u>113</u>	<u>7,058,637</u>	<u>1,392,052</u>	<u>8,450,689</u>	<u>1,131,024</u>	<u>9,581,713</u>
Employee benefits and payroll taxes		1,581,980	356,486	1,938,466	289,640	2,228,106
Professional fees		486,999	90,916	577,915	161,091	739,006
Management fees		846,212	169,588	1,015,800	1,461,760	2,477,560
Consultants - education		88,899	102,486	191,385	-	191,385
Legal fees		-	-	-	8,327	8,327
Curriculum and classroom supplies		528,952	66,209	595,161	-	595,161
Office supplies		-	-	-	73,973	73,973
Non-capitalized furniture and equipment		34,030	7,848	41,878	6,377	48,255
Leased equipment, furniture and fixtures		80,068	18,465	98,533	15,003	113,536
Communications		462,569	54,859	517,428	44,572	562,000
Occupancy		1,419,227	327,305	1,746,532	265,931	2,012,463
Insurance		65,482	14,974	80,456	11,478	91,934
Repairs and maintenance		305,106	70,364	375,470	57,170	432,640
Marketing and recruiting		17,273	3,847	21,120	2,387	23,507
Staff development		53,134	7,790	60,924	1,461	62,385
Travel and meals		92,123	21,246	113,369	17,262	130,631
Postage, printing and copying		10,841	2,500	13,341	2,031	15,372
Dues and subscriptions		100,870	23,263	124,133	18,901	143,034
Depreciation and amortization		530,737	122,399	653,136	99,448	752,584
Interest		65,355	15,072	80,427	12,246	92,673
Miscellaneous		-	-	-	94,242	94,242
Total Expenses		<u>\$ 13,828,494</u>	<u>\$ 2,867,669</u>	<u>\$ 16,696,163</u>	<u>\$ 3,774,324</u>	<u>\$ 20,470,487</u>

Ascend Charter Schools

Schedule of Functional Expenses
 Bushwick Ascend Charter School
 Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	16	\$ 425,208	\$ 304,444	\$ 729,652	\$ 744,883	\$ 1,474,535
Instructional personnel	82	4,254,161	2,542,706	6,796,867	-	6,796,867
Non-instructional personnel	2	-	-	-	132,593	132,593
Total Personnel Services Costs	<u>100</u>	<u>4,679,369</u>	<u>2,847,150</u>	<u>7,526,519</u>	<u>877,476</u>	<u>8,403,995</u>
Employee benefits and payroll taxes						
Professional fees		956,238	667,369	1,623,607	205,679	1,829,286
Management fees		128,858	11,761	140,619	71,197	211,816
Consultants - education		753,681	139,813	893,494	1,285,760	2,179,254
Legal fees		92,048	33,308	125,356	-	125,356
Curriculum and classroom supplies		-	-	-	6,110	6,110
Office supplies		424,819	42,995	467,814	-	467,814
Non-capitalized furniture and equipment		16,437	11,768	28,205	51,723	51,723
Leased equipment, furniture and fixtures		45,194	32,358	77,552	3,627	31,832
Communications		391,498	139,941	531,439	9,973	87,525
Occupancy		1,585,207	1,134,988	2,720,195	43,129	574,568
Insurance		51,297	34,760	86,057	349,797	3,069,992
Repairs and maintenance		498	357	855	10,501	96,558
Marketing and recruiting		25,786	16,538	42,324	110	965
Staff development		59,990	12,592	72,582	4,890	47,214
Travel and meals		178,006	42,820	220,826	3,322	75,904
Postage, printing and copying		8,179	5,856	14,035	4,076	224,902
Dues and subscriptions		58,287	41,733	100,020	1,805	15,840
Depreciation and amortization		160,956	115,243	276,199	12,862	112,882
Miscellaneous		-	-	-	35,517	311,716
Total Expenses		\$ 9,616,348	\$ 5,331,350	\$ 14,947,698	\$ 3,048,301	\$ 17,995,999

Ascend Charter Schools

Schedule of Functional Expenses
Canarsie Ascend Charter School
Year Ended June 30, 2022

	No. of Positions	Program Services		Management and General	Total
		Regular Education	Special Education		
Personnel Services Costs					
Administrative staff personnel	16	\$ 559,769	\$ 120,518	\$ 855,773	\$ 1,536,060
Instructional personnel	72	5,663,028	1,079,033	-	6,742,061
Non-instructional personnel	5	-	-	187,391	187,391
Total Personnel Services Costs	<u>93</u>	<u>6,222,797</u>	<u>1,199,551</u>	<u>1,043,164</u>	<u>8,465,512</u>
Employee benefits and payroll taxes					
Professional fees		1,395,940	297,127	258,390	1,951,457
Management fees		472,150	65,361	179,553	717,064
Consultants - education		1,036,073	108,006	1,646,358	2,790,437
Legal fees		61,705	13,851	-	75,556
Curriculum and classroom supplies		-	-	18,602	18,602
Office supplies		584,342	37,278	-	621,620
Non-capitalized furniture and equipment		-	-	110,411	110,411
Leased equipment, furniture and fixtures		39,831	8,576	7,458	55,865
Communications		54,867	11,813	10,273	76,953
Occupancy		542,097	63,128	54,898	660,123
Insurance		2,681,574	577,343	502,074	3,760,991
Repairs and maintenance		86,718	18,098	15,271	120,087
Marketing and recruiting		61,772	13,299	11,566	86,637
Staff development		18,864	3,489	2,567	24,920
Travel and meals		57,014	6,865	3,366	67,245
Postage, printing and copying		295,104	41,260	17,696	354,060
Dues and subscriptions		40,883	8,802	7,654	57,339
Depreciation and amortization		86,441	18,611	16,184	121,236
		<u>354,342</u>	<u>76,290</u>	<u>66,344</u>	<u>496,976</u>
Total Expenses		<u>\$ 14,092,514</u>	<u>\$ 2,568,748</u>	<u>\$ 3,971,829</u>	<u>\$ 20,633,091</u>

Ascend Charter Schools

Schedule of Functional Expenses
Central Brooklyn Ascend Charter School
Year Ended June 30, 2022

	No. of Positions	Program Services		Management and General	Total
		Regular Education	Special Education		
Personnel Services Costs					
Administrative staff personnel	16	\$ 609,202	\$ 128,665	\$ 665,404	\$ 1,403,271
Instructional personnel	69	5,007,631	930,843	-	5,938,474
Non-instructional personnel	2	-	-	41,418	41,418
Total Personnel Services Costs	<u>87</u>	<u>5,616,833</u>	<u>1,059,508</u>	<u>706,822</u>	<u>7,383,163</u>
Employee benefits and payroll taxes		1,172,606	244,749	163,278	1,580,633
Professional fees		91,661	5,309	218,814	315,784
Management fees		804,773	126,737	1,340,466	2,271,976
Consultants - education		75,665	53,305	-	128,970
Curriculum and classroom supplies		718,229	79,377	-	797,606
Office supplies		-	-	31,693	31,693
Non-capitalized furniture and equipment		53,829	11,369	7,584	72,782
Leased equipment, furniture and fixtures		69,558	14,691	9,801	94,050
Communications		454,011	57,555	38,396	549,962
Occupancy		2,759,945	582,907	388,871	3,731,723
Insurance		66,500	13,857	8,876	89,233
Repairs and maintenance		3,781	799	533	5,113
Marketing and recruiting		21,436	4,337	2,522	28,295
Staff development		61,587	8,763	2,508	72,858
Travel and meals		91,622	19,329	12,852	123,803
Postage, printing and copying		6,571	1,388	926	8,885
Dues and subscriptions		72,777	15,371	10,254	98,402
Depreciation and amortization		211,952	44,765	29,864	286,581
Miscellaneous		-	-	6,366	6,366
Total Expenses		\$ 12,353,336	\$ 2,344,116	\$ 2,980,426	\$ 17,677,878

Ascend Charter Schools

Schedule of Functional Expenses
Cypress Hills Ascend Charter School
Year Ended June 30, 2022

	No. of Positions	Program Services		Management and General	Total
		Regular Education	Special Education		
Personnel Services Costs					
Administrative staff personnel	8	\$ 275,071	\$ 47,951	\$ 309,980	\$ 633,002
Instructional personnel	38	2,599,980	393,527	-	2,993,507
Non-instructional personnel	1	-	-	24,679	24,679
Total Personnel Services Costs	<u>47</u>	<u>2,875,051</u>	<u>441,478</u>	<u>334,659</u>	<u>3,651,188</u>
Employee benefits and payroll taxes					
Professional fees		590,494	101,529	76,963	768,986
Management fees		85,667	11,074	60,327	157,068
Consultants - education		344,296	63,803	587,265	995,364
Curriculum and classroom supplies		24,359	704	-	25,063
Office supplies		373,943	46,004	-	419,947
Non-capitalized furniture and equipment		-	-	90,027	90,027
Leased equipment, furniture and fixtures		32,644	5,691	4,314	42,649
Communications		17,478	3,047	2,310	22,835
Occupancy		204,653	22,454	17,021	244,128
Insurance		1,464,662	255,326	193,547	1,913,535
Repairs and maintenance		29,052	5,080	3,647	37,779
Marketing and recruiting		119	21	16	156
Staff development		13,690	2,503	410	16,603
Travel and meals		12,154	1,567	400	14,121
Postage, printing and copying		53,553	9,336	7,077	69,966
Dues and subscriptions		1,299	226	172	1,697
Depreciation and amortization		75,646	13,187	9,996	98,829
		127,106	22,158	16,796	166,060
Total Expenses		\$ 6,325,866	\$ 1,005,188	\$ 1,404,947	\$ 8,736,001

Ascend Charter Schools

Schedule of Functional Expenses
East Brooklyn Ascend Charter School
Year Ended June 30, 2022

	No. of Positions	Program Services		Management and General	Total
		Regular Education	Special Education		
Personnel Services Costs					
Administrative staff personnel	3	\$ 169,163	\$ 56,193	\$ 175,189	\$ 400,545
Instructional personnel	6	592,232	156,768	-	749,000
Non-instructional personnel	1	-	-	18,978	18,978
Total Personnel Services Costs	<u>10</u>	<u>761,395</u>	<u>212,961</u>	<u>194,167</u>	<u>1,168,523</u>
Employee benefits and payroll taxes					
Professional fees		139,124	43,725	39,867	222,716
Management fees		19,359	2,936	10,136	32,431
Consultants - education		73,713	11,194	122,183	207,090
Curriculum and classroom supplies		7,560	-	-	7,560
Office supplies		101,873	10,191	-	112,064
Non-capitalized furniture and equipment		-	-	7,726	7,726
Leased equipment, furniture and fixtures		13,601	4,518	4,119	22,238
Communications		8,471	2,814	2,565	13,850
Occupancy		70,177	17,524	15,977	103,678
Insurance		1,178,638	391,522	356,971	1,927,131
Repairs and maintenance		5,123	1,643	1,452	8,218
Marketing and recruiting		690	229	209	1,128
Staff development		3,738	1,025	768	5,531
Travel and meals		4,182	522	446	5,150
Postage, printing and copying		13,927	4,626	4,218	22,771
Dues and subscriptions		531	176	161	868
Depreciation and amortization		6,359	2,112	1,926	10,397
Miscellaneous		93,908	31,195	28,442	153,545
		-	-	5,433	5,433
Total Expenses		\$ 2,502,369	\$ 738,913	\$ 796,766	\$ 4,038,048

Ascend Charter Schools

Schedule of Functional Expenses
East Flatbush Ascend Charter School
Year Ended June 30, 2022

	No. of Positions	Program Services		Management and General	Total
		Regular Education	Special Education		
Personnel Services Costs					
Administrative staff personnel	7	\$ 233,052	\$ 53,327	\$ 219,130	\$ 505,509
Instructional personnel	20	1,223,265	239,642	-	1,462,907
Non-instructional personnel	1	-	-	21,741	21,741
Total Personnel Services Costs	28	1,456,317	292,969	240,871	1,990,157
Employee benefits and payroll taxes					
Professional fees		289,806	65,267	53,661	408,734
Management fees		103,108	12,247	114,956	230,311
Consultants - education		219,929	30,433	360,276	610,638
Curriculum and classroom supplies		25,792	-	-	25,792
Office supplies		228,300	18,216	-	246,516
Non-capitalized furniture and equipment		-	-	21,057	21,057
Leased equipment, furniture and fixtures		10,874	2,488	2,046	15,408
Communications		13,777	3,152	2,592	19,521
Occupancy		136,734	21,219	17,446	175,399
Insurance		1,257,135	287,657	236,503	1,781,295
Repairs and maintenance		15,539	3,477	2,759	21,775
Marketing and recruiting		1,764	404	332	2,500
Staff development		14,185	3,170	2,510	19,865
Travel and meals		11,766	1,913	770	14,449
Postage, printing and copying		16,510	3,687	2,917	23,114
Dues and subscriptions		57	13	11	81
Depreciation and amortization		13,875	3,175	2,610	19,660
Miscellaneous		89,001	20,365	16,744	126,110
Total Expenses		\$ 3,904,469	\$ 769,852	\$ 1,118,245	\$ 5,792,566

Ascend Charter Schools

Schedule of Functional Expenses
Flatbush Ascend Charter School
Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	5	\$ 314,452	\$ 16,394	\$ 330,846	\$ 209,775	\$ 540,621
Instructional personnel	24	1,642,415	75,007	1,717,422	-	1,717,422
Non-instructional personnel	1	-	-	-	24,617	24,617
Total Personnel Services Costs	30	1,956,867	91,401	2,048,268	234,392	2,282,660
Employee benefits and payroll taxes						
Professional fees		379,198	19,577	398,775	50,203	448,978
Management fees		27,493	1,600	29,093	17,873	46,966
Consultants - education		179,652	30,553	210,205	302,489	512,694
Curriculum and classroom supplies		50,973	1,931	52,904	-	52,904
Office supplies		246,080	26,488	272,568	-	272,568
Non-capitalized furniture and equipment		-	-	-	8,861	8,861
Leased equipment, furniture and fixtures		12,321	642	12,963	1,647	14,610
Communications		19,503	1,017	20,520	2,608	23,128
Occupancy		185,147	7,616	192,763	19,530	212,293
Insurance		2,095,758	109,265	2,205,023	280,202	2,485,225
Marketing and recruiting		16,160	931	17,091	2,060	19,151
Staff development		5,716	382	6,098	669	6,767
Travel and meals		11,090	1,484	12,574	6,588	19,162
Postage, printing and copying		33,828	1,961	35,789	4,299	40,088
Dues and subscriptions		2,128	111	2,239	284	2,523
Depreciation and amortization		19,208	1,001	20,209	2,568	22,777
		131,857	6,875	138,732	17,629	156,361
Total Expenses		\$ 5,372,979	\$ 302,835	\$ 5,675,814	\$ 951,902	\$ 6,627,716

Ascend Charter Schools

Uniform Guidance
Schedules and Reports

June 30, 2022

Ascend Charter Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Direct Program:				
Ascend Learning: Expansion and Replication of High-Quality Charter Schools in Brooklyn, NY	84.282M	Not available	\$ -	\$ 1,053,317
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-22-4395	-	608,683
Title I Grants to Local Educational Agencies	84.010	0021-22-4585	-	441,601
Title I Grants to Local Educational Agencies	84.010	0021-22-4780	-	458,786
Title I Grants to Local Educational Agencies	84.010	0021-22-4965	-	421,333
Title I Grants to Local Educational Agencies	84.010	0021-22-5170	-	315,495
Title I Grants to Local Educational Agencies	84.010	0021-22-5430	-	140,106
Title I Grants to Local Educational Agencies	84.010	0021-22-5565	-	45,210
Title I Grants to Local Educational Agencies	84.010	0021-22-5555	-	61,059
Title I Grants to Local Educational Agencies	84.010	0021-22-5570	-	74,534
			<u>-</u>	<u>2,566,807</u>
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4395	-	88,144
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4585	-	62,455
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4780	-	68,345
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4965	-	75,117
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5170	-	56,615
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5430	-	25,365
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5565	-	15,585
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5555	-	8,943
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5570	-	16,909
			<u>-</u>	<u>417,478</u>
Student Support and Academic Enrichment Program	84.424	0204-22-4395	-	42,340
Student Support and Academic Enrichment Program	84.424	0204-22-4585	-	31,051
Student Support and Academic Enrichment Program	84.424	0204-22-4780	-	32,259
Student Support and Academic Enrichment Program	84.424	0204-22-4965	-	27,309
Student Support and Academic Enrichment Program	84.424	0204-22-5170	-	19,796
Student Support and Academic Enrichment Program	84.424	0204-22-5430	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-22-5565	-	10,000
Student Support and Academic Enrichment Program	85.424	0204-22-5555	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-22-5570	-	10,000
			<u>-</u>	<u>192,755</u>

See independent auditors' report and notes to schedule of expenditures of federal awards

Ascend Charter Schools

Schedule of Expenditures of Federal Awards *(continued)* Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education <i>(continued)</i>				
Pass-Through New York State Education Department: <i>(continued)</i>				
English Language Acquisition State Grants	84.365	0293-22-4780	\$ -	\$ 61,598
English Language Acquisition State Grants	84.365	0293-22-4965	-	29,374
			-	90,972
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4395	-	2,483,427
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4585	-	1,644,491
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4780	-	1,303,299
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4965	-	1,292,888
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5170	-	1,165,810
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5430	-	611,436
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5565	-	200,057
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5555	-	369,478
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5570	-	398,596
			-	9,469,482
			-	13,790,811
Total U.S. Department of Education				
U.S. Department of Agriculture				
Pass-through New York State Education Department:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	Not available	-	68,376
National School Lunch Program	10.555	Not available	-	260,682
Total Child Nutrition Cluster			-	329,058
Total U.S. Department of Agriculture				
Department of Homeland Security				
Pass-Through New York State Homeland Security and Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4480-DR-NY	-	103,717
Total Expenditures of Federal Awards				
			\$ -	\$ 14,223,586

See independent auditors' report and notes to schedule of expenditures of federal awards

Ascend Charter Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Ascend Charter Schools (the "School"), under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government
Auditing Standards***

Independent Auditors' Report

**Board of Trustees
Ascend Charter Schools**

We have audited, in accordance with the 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, the financial statements of Ascend Charter Schools (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The School's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
November 25, 2022



**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

**Board of Trustees
Ascend Charter Schools**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ascend Charter Schools (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
November 25, 2022

Ascend Charter Schools

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

X yes _____ none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required

to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425U

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

84.282M

Ascend Learning: Expansion and Replication of High-Quality Charter Schools in Brooklyn, NY

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Ascend Charter Schools

Schedule of Findings and Questioned Costs *(continued)*
Year Ended June 30, 2022

Section II – Financial Statement Findings

2022-001- General Ledger Maintenance and Account Analysis

Criteria

An effective financial closing process provides the School with accurate and timely financial statements. All significant accounts should be reconciled timely and regularly to ensure that financial records are accurate and to facilitate the preparation of financial statement at year end.

Condition

Account analysis schedules were not fully reconciled and supported by all the backup documentation. We also noted that improvements are needed in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting.

Cause

The finance department has experienced significant turnover and appears to be understaffed. Continual training is required to enable a good understanding of effective internal controls.

Effect

The School's system of internal control is not effective for managing its resources and resulted in difficulties with meeting external deadlines for submission of the audited financial statements.

Recommendation

We recommend that the School assess the adequacy of resources in the finance department in relation to its periodic and year end reporting responsibilities. The School may consider an increased level of financial analysis of significant accounts on a regular basis, as well as providing additional support to the finance department in the area of financial reporting.

Views of Responsible Officials

See management corrective action plan in Appendix A.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no findings in the prior year.

November 18, 2022

To Whom it may concern:

Ascend has undergone significant transition in its key finance positions: Chief Financial Officer and Controller. I, Carlos Zayas, have stepped into the Interim Chief Financial Officer role in June 2022 and will maintain this role until Ascend hires a permanent CFO. We are actively seeking the Controller position and will have an Interim role in place as we undergo our search. Much of what is outlined in the FY22 Findings have slowly been addressed since I have started. We have made progress in the following areas.

1. Created a monthly close checklist that the entire finance team will own
2. Clarified roles and responsibilities for existing and new staff
3. Expanded the financial, planning, and analysis team by 1 FTE to provide additional oversight in school activity and identify problems areas well in advance
4. Onboarded temporary staff accounting person to the accounting team to support month-end activity and schedules
5. Reviewed open purchase orders on a regular basis to understand school obligations
6. Formalized FY23 goals for finance team around the accurate and timely reporting of our financial information to our internal and external stakeholders



We will also work on the following:

1. Reconciliation of non-cash balance sheet accounts on a quarterly basis. This will ensure that there is less work to do at year-end for our audit schedules starting at the end of Q2
2. Review all grant activity on a quarterly basis, starting at the end of Q2
3. Provide the finance team with additional support around grants activity, grants compliance, and billing
4. Centralize all supporting documentation needed for a successful audit
5. Create standard operating procedures to better prepare for turnover by the end of the fiscal year

Everything outlined above will allow the Ascend Learning finance team to report up-to-date financial information to internal and external stakeholders. Additionally, it will better prepare us for the FY23 audit.

Thank you,

A handwritten signature in black ink, appearing to read "Roberto", written in a cursive style.

Roberto Carlos Zayas
Interim Chief Financial Officer

Ascend Charter Schools

Independent Auditors' Report on Communication of
Internal Control Matters

June 30, 2022

Independent Auditors' Communication on Internal Control Matters

The Board of Trustees Ascend Charter Schools

In planning and performing our audit of the financial statements of Ascend Charter Schools (the "School") as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency in the School's internal control presented in Addendum A to be a significant deficiency.

This communication is intended solely for the information and use of management, audit committee, board of Trustees, The State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by School personnel during the course of our audit.

PKF O'Connor Davies, LLP
Harrison, New York
November 25, 2022

Addendum A

Deficiencies in Internal Control that We Consider to be Significant Deficiencies

1. Financial Statement Closing Process and Increase in Financial Resources

During our audit, we noted that account analysis schedules were not fully reconciled and supported by all the backup documentation. We also noted that improvements are needed in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting.

We recommend that the School assess the adequacy of resources in the finance department in relation to its periodic and year end reporting responsibilities. The School may consider an increased level of financial analysis of significant accounts on a regular basis, as well as providing additional support to the finance department in the area of financial reporting.