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**NEW WORLD PREPARATORY CHARTER  
SCHOOL AND SUBSIDIARY**

**Consolidated Financial Statements  
with Supplementary Information**

For the years ended June 30, 2022 and 2021

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Consolidated Financial Statements**  
June 30, 2022 and 2021

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## **Independent Auditor's Report**

To the Board of Trustees of  
New World Preparatory Charter School and Subsidiary

### **Report on the consolidated financial statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New World Preparatory Charter School and Subsidiary 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of New World Preparatory Charter School and Subsidiary 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 opinions.

#### ***Responsibility of management for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 consolidated 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 New World Preparatory Charter School and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New World Preparatory Charter School and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 consolidated financial statements. The accompanying supplementary financial information from page 17 to 23 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 October 27, 2022, on our consideration of New World Preparatory Charter School and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New World Preparatory Charter School and Subsidiary's internal control over financial reporting and compliance.

NChing LLP

New York, New York  
October 27, 2022

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY****Consolidated Statements of Financial Position**

As of June 30,

|   | <u>2022</u>          | <u>2021</u>          |
|---|----------------------|----------------------|
| <b><u>Assets</u></b>  |                      |                      |
| <b>Current assets</b>                                       |                      |                      |
| Cash and cash equivalents                                   | \$ 8,745,924         | \$ 9,197,689         |
| Grants receivable   | 778,928              | 352,385              |
| Security deposits   | 33,333               | 33,333               |
| Prepaid expenses  | 121,669              | 230,833              |
|   | <hr/>                | <hr/>                |
| Total current assets  | 9,679,854            | 9,814,240            |
| <b>Property and equipment, net - Note 5</b>                 | 18,829,261           | 8,256,716            |
| <b>Other assets</b>   |                      |                      |
| Restricted cash and escrow reserves - Note 6                | 41,055,089           | 46,682,635           |
|   | <hr/>                | <hr/>                |
| Total assets  | <u>\$ 69,564,204</u> | <u>\$ 64,753,591</u> |
| <b><u>Liabilities and Net Assets</u></b>                    |                      |                      |
| <b>Current liabilities</b>                                  |                      |                      |
| Accounts payable and accrued expenses                       | \$ 456,486           | \$ 471,696           |
| Accrued salaries and other payroll-related expenses         | 1,721,759            | 1,504,566            |
| Construction costs payable                                  | 2,377,813            | -                    |
| Refundable advances   | 303,102              | 249,465              |
|   | <hr/>                | <hr/>                |
| Total current liabilities                                   | 4,859,160            | 2,225,727            |
| <b>Long Term Liabilities</b>                                |                      |                      |
| Bonds payable, net  | 53,726,312           | 53,772,909           |
|   | <hr/>                | <hr/>                |
| Total liabilities   | 58,585,472           | 55,998,636           |
| <b>Net assets without donor restrictions</b>                |                      |                      |
| Undesignated  | 10,903,303           | 8,679,541            |
| Reserve - contingency                                       | 75,429               | 75,414               |
|   | <hr/>                | <hr/>                |
| Total net assets without donor restrictions                 | 10,978,732           | 8,754,955            |
|   | <hr/>                | <hr/>                |
| Total liabilities and net assets without donor restrictions | <u>\$ 69,564,204</u> | <u>\$ 64,753,591</u> |

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

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY****Consolidated Statements of Activities**

For the years ended June 30,

|   | <u>2022</u>          | <u>2021</u>         |
|---|----------------------|---------------------|
| <b><u>Operating revenue and other support</u></b>         |                      |                     |
| <b>State and local per pupil operating revenue</b>        |                      |                     |
| General education   | \$ 11,431,501        | \$10,143,060        |
| Special education   | 2,796,038            | 2,524,612           |
| Facility lease assistance                                 | 1,491,265            | 1,258,595           |
|   | <hr/>                | <hr/>               |
| Total state and local per pupil operating revenue         | 15,718,804           | 13,926,267          |
| <b>Grants, contract and other support</b>                 |                      |                     |
| State and local grants                                    | 57,017               | 47,539              |
| Federal grants  | 1,576,343            | 639,886             |
| Contributions   | 15,745               | 12,000              |
| Cancellation of debt                                      | -                    | 1,225,823           |
| Interest and other income                                 | 33,025               | 40,173              |
|   | <hr/>                | <hr/>               |
| Total operating revenue and other support                 | 17,400,934           | 15,891,688          |
| <b><u>Expenses</u></b>                                    |                      |                     |
| <b>Program expenses</b>                                   |                      |                     |
| Regular education   | 10,510,015           | 8,961,473           |
| Special education   | 2,987,442            | 2,463,717           |
|   | <hr/>                | <hr/>               |
| Total program expenses                                    | 13,497,457           | 11,425,190          |
| <b>Supporting services</b>                                |                      |                     |
| Management and general                                    | 1,678,618            | 1,262,192           |
| Fundraising   | 1,082                | 13,041              |
|   | <hr/>                | <hr/>               |
| Total program and supporting services expenses            | 15,177,157           | 12,700,423          |
| Change in net assets                                      | 2,223,777            | 3,191,265           |
| Net assets without donor restrictions - beginning of year | 8,754,955            | 5,563,690           |
|   | <hr/>                | <hr/>               |
| Net assets without donor restrictions - end of year       | <u>\$ 10,978,732</u> | <u>\$ 8,754,955</u> |

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

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

For the year ended June 30, 2022

|                                      | No. of positions | Program expenses  |                   |                | Supporting services |                      | Total Program and Supporting Services |
|--------------------------------------|------------------|-------------------|-------------------|----------------|---------------------|----------------------|---------------------------------------|
|                                      |                  | Regular education | Special education | Total programs | Fundraising         | Management & general |                                       |
| Salaries                             |                  |                   |                   |                |                     |                      |                                       |
| Instructional personnel              | 98               | \$ 5,163,177      | \$ 1,656,822      | \$ 6,819,999   | \$ -                | \$ -                 | \$ 6,819,999                          |
| Administrative staff personnel       | 10               | 715,852           | 28,714            | 744,566        | -                   | 437,388              | 1,181,954                             |
| Non-instructional personnel          | 9                | 393,476           | 15,783            | 409,259        | -                   | 240,414              | 649,673                               |
| Total salaries                       | 117              | 6,272,505         | 1,701,319         | 7,973,824      | -                   | 677,802              | 8,651,626                             |
| Operating expenses                   |                  |                   |                   |                |                     |                      |                                       |
| Payroll taxes and fringe benefits    |                  | 1,257,483         | 341,073           | 1,598,556      | -                   | 135,883              | 1,734,439                             |
| Retirement                           |                  | 110,020           | 29,841            | 139,861        | -                   | 11,888               | 151,749                               |
| Contracted services                  |                  | 134,746           | 34,177            | 168,923        | -                   | 473,573              | 642,496                               |
| Administrative                       |                  | 75,149            | 20,383            | 95,532         | -                   | 8,120                | 103,652                               |
| Marketing and recruitment            |                  | 70,283            | 19,063            | 89,346         | -                   | 7,595                | 96,941                                |
| Legal and professional fees          |                  | 53,347            | 11,280            | 64,627         | -                   | 38,832               | 103,459                               |
| Insurance                            |                  | 114,892           | 31,163            | 146,055        | -                   | 87,557               | 233,612                               |
| Repairs and maintenance              |                  | 356,805           | 96,778            | 453,583        | -                   | 38,556               | 492,139                               |
| Occupancy                            |                  | 778,877           | 211,259           | 990,136        | -                   | 84,164               | 1,074,300                             |
| School and staff development         |                  | 203,447           | 55,182            | 258,629        | -                   | 21,984               | 280,613                               |
| Student services                     |                  | 8,899             | 155,160           | 164,059        | -                   | 1,141                | 165,200                               |
| Food service                         |                  | 251,949           | 71,062            | 323,011        | -                   | -                    | 323,011                               |
| Supplies and instructional materials |                  | 182,619           | 49,533            | 232,152        | -                   | 19,734               | 251,886                               |
| Equipment and furnishing             |                  | 89,278            | 24,215            | 113,493        | -                   | 9,647                | 123,140                               |
| Technology                           |                  | 34,618            | 9,390             | 44,008         | -                   | 3,741                | 47,749                                |
| Utilities                            |                  | 138,274           | 37,505            | 175,779        | -                   | 14,941               | 190,720                               |
| Interest expense                     |                  | 58,653            | -                 | 58,653         | -                   | -                    | 58,653                                |
| Depreciation                         |                  | 243,277           | 59,313            | 302,590        | -                   | 23,630               | 326,220                               |
| Other expenses                       |                  | 74,894            | 29,746            | 104,640        | 1,082               | 19,830               | 125,552                               |
| Total operating expenses             |                  | 4,237,510         | 1,286,123         | 5,523,633      | 1,082               | 1,000,816            | 6,525,531                             |
| Total expenses                       |                  | \$ 10,510,015     | \$ 2,987,442      | \$ 13,497,457  | \$ 1,082            | \$ 1,678,618         | \$ 15,177,157                         |

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



**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

For the year ended June 30, 2021

|                                      | No. of positions | Program expenses  |                   |                | Supporting services |                      | Total Program and Supporting Services |
|--------------------------------------|------------------|-------------------|-------------------|----------------|---------------------|----------------------|---------------------------------------|
|                                      |                  | Regular education | Special education | Total programs | Fundraising         | Management & general |                                       |
| Salaries                             |                  |                   |                   |                |                     |                      |                                       |
| Instructional personnel              | 91               | \$ 4,381,118      | \$ 1,384,304      | \$ 5,765,422   | \$ -                | \$ -                 | \$ 5,765,422                          |
| Administrative staff personnel       | 11               | 682,474           | 26,955            | 709,429        | -                   | 413,216              | 1,122,645                             |
| Non-instructional personnel          | 10               | 370,230           | 14,623            | 384,853        | -                   | 224,162              | 609,015                               |
| Total salaries                       | 112              | 5,433,822         | 1,425,882         | 6,859,704      | -                   | 637,378              | 7,497,082                             |
| Operating expenses                   |                  |                   |                   |                |                     |                      |                                       |
| Payroll taxes and fringe benefits    |                  | 1,097,763         | 288,063           | 1,385,826      | -                   | 128,766              | 1,514,592                             |
| Retirement                           |                  | 129,239           | 33,914            | 163,153        | -                   | 15,160               | 178,313                               |
| Contracted services                  |                  | 312,643           | 125,057           | 437,700        | -                   | 165,495              | 603,195                               |
| Administrative                       |                  | 63,437            | 16,646            | 80,083         | -                   | 7,441                | 87,524                                |
| Marketing and recruitment            |                  | 43,176            | 11,330            | 54,506         | -                   | 5,064                | 59,570                                |
| Legal and professional fees          |                  | 35,219            | 4,023             | 39,242         | -                   | 20,682               | 59,924                                |
| Insurance                            |                  | 79,248            | 20,795            | 100,043        | -                   | 83,036               | 183,079                               |
| Repairs and maintenance              |                  | 389,901           | 102,314           | 492,215        | -                   | 45,735               | 537,950                               |
| Occupancy                            |                  | 497,248           | 130,482           | 627,730        | -                   | 58,326               | 686,056                               |
| School and staff development         |                  | 202,306           | 53,087            | 255,393        | -                   | 23,730               | 279,123                               |
| Student services                     |                  | 4,284             | 74,684            | 78,968         | -                   | 549                  | 79,517                                |
| Food service                         |                  | 94,622            | 26,688            | 121,310        | -                   | -                    | 121,310                               |
| Supplies and instructional materials |                  | 103,515           | 27,163            | 130,678        | -                   | 12,142               | 142,820                               |
| Equipment and furnishing             |                  | 87,658            | 23,002            | 110,660        | -                   | 10,282               | 120,942                               |
| Technology                           |                  | 34,111            | 8,951             | 43,062         | -                   | 4,001                | 47,063                                |
| Utilities                            |                  | 95,552            | 25,074            | 120,626        | -                   | 11,208               | 131,834                               |
| Depreciation                         |                  | 218,573           | 50,900            | 269,473        | -                   | 22,756               | 292,229                               |
| Other expenses                       |                  | 39,156            | 15,662            | 54,818         | 13,041              | 10,441               | 78,300                                |
| Total operating expenses             |                  | 3,527,651         | 1,037,835         | 4,565,486      | 13,041              | 624,814              | 5,203,341                             |
| Total expenses                       |                  | \$ 8,961,473      | \$ 2,463,717      | \$ 11,425,190  | \$ 13,041           | \$ 1,262,192         | \$ 12,700,423                         |

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

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY****Consolidated Statements of Cash Flows**

For the years ended June 30,

|  | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| <b>Cash flows from operating activities</b>  |                      |                      |
| Change in net assets   | \$ 2,223,777         | \$ 3,191,265         |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities                              |                      |                      |
| Depreciation   | 326,220              | 292,229              |
| Amortization of debt issuance costs  | 58,653               | -                    |
| Cancellation of debt   | -                    | (1,225,823)          |
| Changes in operating assets and liabilities  |                      |                      |
| Grants receivable  | (426,543)            | (55,022)             |
| Security deposits  | -                    | (33,333)             |
| Prepaid expenses   | 109,164              | 116,734              |
| Accounts payable and accrued expenses  | (15,210)             | (202,110)            |
| Accrued salaries and other payroll-related expenses  | 217,193              | 33,393               |
| Refundable advances  | 53,637               | 59,329               |
| Net cash provided by operating activities  | <u>2,546,891</u>     | <u>2,176,662</u>     |
| <b>Cash flows from investing activities</b>  |                      |                      |
| Acquisition of fixed assets  | <u>(8,626,202)</u>   | <u>(3,918,542)</u>   |
| Net cash used in investing activities  | <u>(8,626,202)</u>   | <u>(3,918,542)</u>   |
| <b>Cash flows from financing activities</b>  |                      |                      |
| Proceeds from bonds payable  | -                    | 53,772,909           |
| Net cash provided by financing activities  | <u>-</u>             | <u>53,772,909</u>    |
| Net change in cash, cash equivalents and restricted cash   | (6,079,311)          | 52,031,029           |
| Cash, cash equivalents and restricted cash - beginning of year   | <u>55,880,324</u>    | <u>3,849,295</u>     |
| Cash, cash equivalents and restricted cash - end of year   | <u>\$ 49,801,013</u> | <u>\$ 55,880,324</u> |
| <b>Cash, cash equivalents and restricted cash as reported<br/>within the consolidated statements of financial position</b> |                      |                      |
| Cash and cash equivalents  | \$ 8,745,924         | \$ 9,197,689         |
| Restricted cash and escrow reserves  | <u>41,055,089</u>    | <u>46,682,635</u>    |
|  | <u>\$ 49,801,013</u> | <u>\$ 55,880,324</u> |
| <b>Supplemental disclosure</b>   |                      |                      |
| Cash paid for interest (capitalized)   | <u>\$ 2,036,403</u>  | <u>\$ -</u>          |

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

# NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

## Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

### Note 1 Organization

New World Preparatory Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Staten Island, New York. The School was granted a five-year charter in 2010 and commenced sixth grade classes in September 2010. Seventh and eighth grade classes were added in 2011 and 2012 school year. The School was granted the expansion from kindergarten to fifth grade under its second charter renewal for an additional five years effective January 9, 2018. In September 2018, fifth grade was added, followed by kindergarten and first grade in 2019. Second and third grades were subsequently added in 2020 and 2021, making it a kindergarten through third grade and fifth through eighth grade school. The School provides an exceptional education for students by employing research-proven strategies to raise middle school academic achievement including academic rigor and relevance, personalization, focused professional development, and meaningful engagement of families and the larger community.

Friends of New World Prep, Inc. (the “Friends of NWP”), is a non-profit organization, founded in September 2018 under Section 402 of the Not-for-Profit Corporate Law of the State of New York. Friends of NWP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The board of trustees of the School has control over the board of trustees of Friends of NWP and as a result the two entities are being consolidated.

From hereon in, the School and Friends of NWP are referred to as the “Organization”.

### Note 2 Summary of significant accounting policies

**Principles of consolidation.** The financial statements are consolidated to include the accounts of the School and the Friends of NWP. All significant intercompany transactions and balances have been eliminated in the consolidation.

**Basis of presentation and use of estimates.** The consolidated financial statements have been prepared in conformity 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Operating risk.** The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measure, the Organization cannot reasonably estimate the impact to future results of operations.

**Cash and cash equivalents.** The Organization considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

## NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

### Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 2 Summary of significant accounting policies – (continued)

**Financial statements presentation.** The consolidated financial statements of the Organization follows the accounting standard for not-for-profit organization, which require the Organization to report information regarding its consolidated statements of financial position and consolidated statements of activities according to the following net asset classifications:

**Net Assets without donor restrictions.** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

**Net Assets with donor restrictions.** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net asset without donor restrictions in the consolidated statements of activities.

**Revenue recognition.** The Organization recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue are recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

**Grants receivable.** Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the Organization's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$778,928 and \$352,385 at June 30, 2022 and 2021, respectively. There is no allowance recorded at June 30, 2022 and 2021 as all amounts are deemed collectible.

**Reserve contingency.** Under the provisions of its charter, the Organization established an escrow amount to pay for legal and audit expenses that would be associated with dissolution, should such event occur.

## NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

### Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 2 Summary of significant accounting policies – (continued)

**Property and equipment.** Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The Organization capitalizes additions and significant improvements in excess of \$1,000. Items with an acquisition cost of less than \$1,000 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

| <u>Asset</u>                  | <u>Useful Life</u> |
|-------------------------------|--------------------|
| Building                      | 39 years           |
| Furniture and fixtures        | 7 years            |
| Leasehold improvements        | 5 years            |
| Computer and office equipment | 3 years            |

Construction-in-progress at June 30, 2022 and 2021 consists of costs incurred for architecture, engineering, and professional fees related to the construction of the Organization's new facility. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

**Refundable advances.** Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying consolidated statements of financial position.

**Donated goods and services.** The Organization receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying consolidated statements of activities, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

The Organization received donated transportation and food service services from the local district. The Organization was unable to determine a value for these services.

**Functional Expenses.** The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services, administrative and fundraising. Such allocations are determined by management on an equitable basis.

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Notes to the Consolidated Financial Statements**  
June 30, 2022 and 2021

**Note 2 Summary of significant accounting policies – (continued)**

The expenses that are allocated include the following:

|   |                 |
|---|-----------------|
| Salaries                                    | Time and effort |
| Payroll taxes and fringe benefits           | Time and effort |
| Financial and administrative                | Time and effort |
| Insurance                                   | Square Footage  |
| Repairs and maintenance                     | Time and effort |
| Building, equipment leasing and furnishings | Square Footage  |

**Income taxes.** The School and Friends of NWP are tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and have been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying consolidated financial statements.

The Organization is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2019.

**Note 3 Liquidity and availability**

| Financial Assets:  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Cash and cash equivalents                                | \$ 8,745,924        | \$ 9,197,689        |
| Grants receivable  | <u>778,928</u>      | <u>352,385</u>      |
| Amount available for general expenditure within one year | <u>\$ 9,524,852</u> | <u>\$ 9,550,074</u> |

**Note 4 Accrued salaries and other payroll-related expenses**

Accrued salaries and other payroll-related expenses consist of amounts earned by the staff during the school year which are paid out over the summer months. For the years ended June 30, 2022 and 2021, accrued bonuses relating to a retention plan were approximately \$354,960 and \$419,146, respectively. Also included in accrued salaries and other payroll-related expenses is accrued salary of \$1,366,799 and \$1,085,420 as of June 30, 2022 and 2021, respectively.

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY****Notes to the Consolidated Financial Statements**

June 30, 2022 and 2021

**Note 5 Property and equipment**

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

|                                | <u>2022</u>          | <u>2021</u>         |
|--------------------------------|----------------------|---------------------|
| Leasehold improvements         | \$ 1,430,142         | \$ 1,338,575        |
| Land                           | 1,919,232            | 1,919,232           |
| Building                       | 959,356              | 959,356             |
| Furniture and fixtures         | 245,790              | 234,429             |
| Computer equipment             | 1,403,087            | 1,310,142           |
| Office equipment               | 74,603               | 60,859              |
| Construction-in-progress       | 15,528,754           | 4,839,606           |
|                                | <u>21,560,964</u>    | <u>10,662,199</u>   |
| Less, accumulated depreciation | <u>(2,731,703)</u>   | <u>(2,405,483)</u>  |
|                                | <u>\$ 18,829,261</u> | <u>\$ 8,256,716</u> |

**Note 6 Restricted cash and escrow reserves**

Restricted cash and escrow reserve accounts as of June 30, are as follows:

|                             | <u>2022</u>          | <u>2021</u>          |
|-----------------------------|----------------------|----------------------|
| Debt service reserve fund   | \$ 2,876,322         | \$ 2,875,600         |
| Project fund                | 35,993,325           | 39,606,599           |
| Capitalized interest fund   | 2,090,008            | 4,125,022            |
| Repair and replacement fund | 20,005               | -                    |
| Reserve - contingency       | 75,429               | 75,414               |
|                             | <u>\$ 41,055,089</u> | <u>\$ 46,682,635</u> |

**Note 7 Retirement plan**

The Organization offers a 401(k) plan for all qualifying employees. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The Organization matches 100% of an employee's contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2022 and 2021, the Organization's matching contribution was \$151,749 and \$178,313, respectively. Such plan assets are held in a separate trust and are not included in the accompanying consolidated financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

## NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

### Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 8 Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The management of the Organization believes it is not exposed to significant credit risk on cash and cash equivalents.

The Organization received approximately 90% and 88% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York State Department of Education during the years ended June 30, 2022 and 2021, respectively. Additionally, the Organization's grants receivable as of June 30, 2022 and 2021 consists of 100% from the New York State Department of Education.

#### Note 9 Commitments

The Organization is a lessee under various operating leases, principally for classroom space and administrative offices, which expire from June 30, 2023 to July 31, 2025. For the years ended June 30, 2022 and 2021, rent expense was \$1,074,300 and \$686,056, respectively.

Future minimum lease payments, as follows:

| Year Ending<br>June 30, | Amount              |
|-------------------------|---------------------|
| 2023                    | \$ 1,134,337        |
| 2024                    | 513,750             |
| 2025                    | 529,163             |
| 2026                    | 44,204              |
|                         | <u>\$ 2,221,454</u> |

#### Note 10 Contingency

The Organization participates in a number of federal and state programs. These programs require that the Organization comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying consolidated financial statements.



## NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

### Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 11 SBA loan-paycheck protection program

On May 5, 2020, the Organization obtained a loan of \$1,225,823 (the “PPP loan”) from a commercial bank pursuant to the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (the “SBA”) pursuant to the Coronavirus Aid Relief and Economic Security Act (“CARES Act”). The PPP Loan and accrued interest will be forgivable after twenty-four weeks as long as the Organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The PPP loan matures on May 5, 2022 and bears an interest rate of 1% per annum, with interest accruing on the unpaid principal balance. No payments of principal or interest were due during the six-month period beginning on the date of the PPP loan (the “Deferral Period”). During fiscal year 2021, the Organization received notification that the PPP loan had been forgiven. The Organization recorded cancellation of debt in the amount of \$1,225,823.

#### Note 12 Bonds payable

On June 15, 2021, Build NYC Resource Corporation provided construction and permanent financing of \$52,125,000 through the issuance of \$51,160,000 in Tax-Exempt Revenue Bonds (the “Series 2021A Bonds”), bearing interest at 2.75% to 3.30% per annum, with principal due at varying amounts annually through maturity on June 15, 2056, and \$965,000 in Taxable Revenue Bonds bearing interest at 4.375% per annum which will be repaid in varying amounts through maturity on June 15, 2025. The proceeds of the bonds will be used to construct a three-story building at Staten Island, New York, to be used as classroom and administration space.

Future minimum principal payments for the next five years and in the aggregate thereafter are as follows:

| Year Ending<br>June 30,                                      | Amount               |
|--|----------------------|
| 2023   | \$ -                 |
| 2024   | 775,000              |
| 2025   | 820,000              |
| 2026   | 850,000              |
| 2027   | 885,000              |
| Thereafter   | 48,795,000           |
| Bonds payable  | 52,125,000           |
| Unamortized bond issuance costs<br>and issuance premium, net | 1,601,312            |
| Bonds payable, net   | <u>\$ 53,726,312</u> |

## NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

### Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

#### Note 13 Master lease

The School has entered into a master lease agreement with the Friends of NWP for its rental space for a period of 40 years commencing May 1, 2020. The School is required to pay rent as defined in the master lease agreement. The rent expense is calculated on a straight-line basis over the term of the lease. At June 30, 2022 and 2021, deferred rent payable in the amount of \$1,712,882 and \$1,102,091, respectively, represents the excess of the rent expense recognized over the actual rent paid. Rent expense under the master lease and deferred rent payable were eliminated on the consolidated financial statements.

Minimum lease payments for the next five years is as follows:

| Year ending<br>June 30, | Amount                |
|-------------------------|-----------------------|
| 2023                    | \$ 4,088,772          |
| 2024                    | 4,297,892             |
| 2025                    | 4,297,892             |
| 2026                    | 4,297,892             |
| 2027                    | 4,297,892             |
| Thereafter              | 141,114,134           |
|                         | <u>\$ 162,394,474</u> |

#### Note 14 Subsequent events

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through October 27, 2022, the date that the consolidated financial statements were available to be issued. There were no events requiring adjustments or disclosure to the consolidated financial statements.

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Consolidating Statement of Financial Position**  
As of June 30, 2022

|                                     | <u>NWPCS</u>                | <u>Friends of NWP</u>       | <u>Eliminations</u>          | <u>Consolidated</u>         |
|-------------------------------------|-----------------------------|-----------------------------|------------------------------|-----------------------------|
| <b><u>Assets</u></b>                |                             |                             |                              |                             |
| <b>Current assets</b>               |                             |                             |                              |                             |
| Cash and cash equivalents           | \$ 8,561,626                | \$ 184,298                  | \$ -                         | \$ 8,745,924                |
| Grants receivable                   | 778,928                     | -                           | -                            | 778,928                     |
| Rent receivable                     | -                           | 3,465,659                   | (3,465,659)                  | -                           |
| Security deposits                   | 33,333                      | -                           | -                            | 33,333                      |
| Prepaid expenses                    | 121,669                     | -                           | -                            | 121,669                     |
| Deferred rents receivable           | -                           | 1,712,882                   | (1,712,882)                  | -                           |
|                                     | <u>9,495,556</u>            | <u>5,362,839</u>            | <u>(5,178,541)</u>           | <u>9,679,854</u>            |
| <b>Property and equipment, net</b>  | 495,714                     | 18,333,547                  | -                            | 18,829,261                  |
| <b>Other assets</b>                 |                             |                             |                              |                             |
| Restricted cash and escrow reserves | <u>75,429</u>               | <u>40,979,660</u>           | <u>-</u>                     | <u>41,055,089</u>           |
| <b>Total assets</b>                 | <u><u>\$ 10,066,699</u></u> | <u><u>\$ 64,676,046</u></u> | <u><u>\$ (5,178,541)</u></u> | <u><u>\$ 69,564,204</u></u> |

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Consolidating Statement of Financial Position - continued**  
As of June 30, 2022

|   | <u>NWPCS</u>         | <u>Friends of NWP</u> | <u>Eliminations</u>   | <u>Consolidated</u>  |
|---|----------------------|-----------------------|-----------------------|----------------------|
| <b><u>Liabilities and Net Assets</u></b>                    |                      |                       |                       |                      |
| <b>Current liabilities</b>                                  |                      |                       |                       |                      |
| Accounts payable and accrued expenses                       | \$ 3,872,145         | \$ 50,000             | \$ (3,465,659)        | \$ 456,486           |
| Construction costs payable                                  | -                    | 2,377,813             | -                     | 2,377,813            |
| Deferred rents payable                                      | 1,712,882            | -                     | (1,712,882)           | -                    |
| Accrued salaries and other payroll-related expenses         | 1,721,759            | -                     | -                     | 1,721,759            |
| Refundable advances   | 303,102              | -                     | -                     | 303,102              |
|   | <u>7,609,888</u>     | <u>2,427,813</u>      | <u>(5,178,541)</u>    | <u>4,859,160</u>     |
| <b>Long Term Liabilities</b>                                |                      |                       |                       |                      |
| Bonds payable, net  | <u>-</u>             | <u>53,726,312</u>     | <u>-</u>              | <u>53,726,312</u>    |
| Total liabilities   | <u>7,609,888</u>     | <u>56,154,125</u>     | <u>(5,178,541)</u>    | <u>58,585,472</u>    |
| <b>Net assets without donor restrictions</b>                |                      |                       |                       |                      |
| Undesignated  | 2,381,382            | 8,521,921             | -                     | 10,903,303           |
| Reserve - contingency                                       | 75,429               | -                     | -                     | 75,429               |
| Total net assets without donor restrictions                 | <u>2,456,811</u>     | <u>8,521,921</u>      | <u>-</u>              | <u>10,978,732</u>    |
| Total liabilities and net assets without donor restrictions | <u>\$ 10,066,699</u> | <u>\$ 64,676,046</u>  | <u>\$ (5,178,541)</u> | <u>\$ 69,564,204</u> |

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Consolidating Statement of Financial Position**  
As of June 30, 2021

|                                     | <u>NWPCS</u>         | <u>Friends of NWP</u> | <u>Eliminations</u>   | <u>Consolidated</u>  |
|-------------------------------------|----------------------|-----------------------|-----------------------|----------------------|
| <b><u>Assets</u></b>                |                      |                       |                       |                      |
| <b>Current assets</b>               |                      |                       |                       |                      |
| Cash and cash equivalents           | \$ 6,046,689         | 3,151,000             | \$ -                  | \$ 9,197,689         |
| Grants receivable                   | 352,385              | -                     | -                     | 352,385              |
| Rent receivable                     | -                    | 3,520,425             | (3,520,425)           | -                    |
| Security deposits                   | 33,333               | -                     | -                     | 33,333               |
| Prepaid expenses                    | 230,833              | -                     | -                     | 230,833              |
| Due from related party              | 3,713,504            | -                     | (3,713,504)           | -                    |
| Deferred rents receivable           | -                    | 1,102,091             | (1,102,091)           | -                    |
|                                     | <hr/>                | <hr/>                 | <hr/>                 | <hr/>                |
| Total current assets                | 10,376,744           | 7,773,516             | (8,336,020)           | 9,814,240            |
| <b>Property and equipment, net</b>  | 587,719              | 7,668,997             | -                     | 8,256,716            |
| <b>Other assets</b>                 |                      |                       |                       |                      |
| Restricted cash and escrow reserves | 75,414               | 46,607,221            | -                     | 46,682,635           |
|                                     | <hr/>                | <hr/>                 | <hr/>                 | <hr/>                |
| Total assets                        | <u>\$ 11,039,877</u> | <u>\$ 62,049,734</u>  | <u>\$ (8,336,020)</u> | <u>\$ 64,753,591</u> |

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Consolidating Statement of Financial Position - continued**  
As of June 30, 2021

|   | <u>NWPCS</u>         | <u>Friends of NWP</u> | <u>Eliminations</u>   | <u>Consolidated</u>  |
|---|----------------------|-----------------------|-----------------------|----------------------|
| <b><u>Liabilities and Net Assets</u></b>                    |                      |                       |                       |                      |
| <b>Current liabilities</b>                                  |                      |                       |                       |                      |
| Accounts payable and accrued expenses                       | \$ 3,962,121         | \$ 30,000             | \$ (3,520,425)        | \$ 471,696           |
| Due to related party  | -                    | 3,713,504             | (3,713,504)           | -                    |
| Deferred rents payable                                      | 1,102,091            |                       | (1,102,091)           | -                    |
| Accrued salaries and other payroll-related expenses         | 1,504,566            | -                     | -                     | 1,504,566            |
| Refundable advances   | 249,465              | -                     | -                     | 249,465              |
|   | <u>6,818,243</u>     | <u>3,743,504</u>      | <u>(8,336,020)</u>    | <u>2,225,727</u>     |
| Total current liabilities                                   |                      |                       |                       |                      |
|   | 6,818,243            | 3,743,504             | (8,336,020)           | 2,225,727            |
| <b>Long Term Liabilities</b>                                |                      |                       |                       |                      |
| Bonds payable, net  | -                    | 53,772,909            | -                     | 53,772,909           |
|   | <u>-</u>             | <u>53,772,909</u>     | <u>-</u>              | <u>53,772,909</u>    |
| Total liabilities   |                      |                       |                       |                      |
|   | 6,818,243            | 57,516,413            | (8,336,020)           | 55,998,636           |
| <b>Net assets without donor restrictions</b>                |                      |                       |                       |                      |
| Undesignated  | 4,146,220            | 4,533,321             | -                     | 8,679,541            |
| Reserve - contingency                                       | 75,414               | -                     | -                     | 75,414               |
|   | <u>4,221,634</u>     | <u>4,533,321</u>      | <u>-</u>              | <u>8,754,955</u>     |
| Total net assets without donor restrictions                 |                      |                       |                       |                      |
|   | 4,221,634            | 4,533,321             | -                     | 8,754,955            |
| Total liabilities and net assets without donor restrictions | <u>\$ 11,039,877</u> | <u>\$ 62,049,734</u>  | <u>\$ (8,336,020)</u> | <u>\$ 64,753,591</u> |

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

**Consolidating Statement of Activities**

For the year ended June 30, 2022

|   | <u>NWPCS</u>        | <u>Friends of NWP</u> | <u>Elimination</u> | <u>Consolidated</u>  |
|---|---------------------|-----------------------|--------------------|----------------------|
| <b>Operating revenue and other support</b>                |                     |                       |                    |                      |
| State and local per pupil operating revenue               |                     |                       |                    |                      |
| General education   | \$ 11,431,501       | \$ -                  | \$ -               | \$ 11,431,501        |
| Special education   | 2,796,038           | -                     | -                  | 2,796,038            |
| Facility lease assistance                                 | 1,491,265           | -                     | -                  | 1,491,265            |
| Total state and local per pupil operating revenue         | <u>15,718,804</u>   | <u>-</u>              | <u>-</u>           | <u>15,718,804</u>    |
| <b>Grants, contract and other support</b>                 |                     |                       |                    |                      |
| State and local grants                                    | 57,017              | -                     | -                  | 57,017               |
| Federal grants  | 1,576,343           | -                     | -                  | 1,576,343            |
| Contributions   | 15,745              | -                     | -                  | 15,745               |
| Rental income   | -                   | 4,076,450             | (4,076,450)        | -                    |
| Interest and other income                                 | 17,095              | 15,930                | -                  | 33,025               |
| Total operating revenue and other support                 | <u>17,385,004</u>   | <u>4,092,380</u>      | <u>(4,076,450)</u> | <u>17,400,934</u>    |
| <b>Expenses</b>   |                     |                       |                    |                      |
| <b>Program expenses</b>                                   |                     |                       |                    |                      |
| Regular education   | 13,361,697          | 103,780               | (2,955,462)        | 10,510,015           |
| Special education   | 3,789,065           | -                     | (801,623)          | 2,987,442            |
| Total program expenses                                    | <u>17,150,762</u>   | <u>103,780</u>        | <u>(3,757,085)</u> | <u>13,497,457</u>    |
| <b>Supporting services</b>                                |                     |                       |                    |                      |
| Management and general                                    | 1,997,983           | -                     | (319,365)          | 1,678,618            |
| Fundraising   | 1,082               | -                     | -                  | 1,082                |
| Total program and supporting services expenses            | <u>19,149,827</u>   | <u>103,780</u>        | <u>(4,076,450)</u> | <u>15,177,157</u>    |
| Change in net assets                                      | (1,764,823)         | 3,988,600             | -                  | 2,223,777            |
| Net assets without donor restrictions - beginning of year | <u>4,221,634</u>    | <u>4,533,321</u>      | <u>-</u>           | <u>8,754,955</u>     |
| Net assets without donor restrictions - end of year       | <u>\$ 2,456,811</u> | <u>\$ 8,521,921</u>   | <u>\$ -</u>        | <u>\$ 10,978,732</u> |

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

**Consolidating Statement of Activities**

For the year ended June 30, 2021

|   | <u>NWPCS</u>        | <u>Friends of NWP</u> | <u>Elimination</u> | <u>Consolidated</u> |
|---|---------------------|-----------------------|--------------------|---------------------|
| <b>Operating revenue and other support</b>                |                     |                       |                    |                     |
| State and local per pupil operating revenue               |                     |                       |                    |                     |
| General education   | \$ 10,143,060       | \$ -                  | \$ -               | \$ 10,143,060       |
| Special education   | 2,524,612           | -                     | -                  | 2,524,612           |
| Facility lease assistance                                 | 1,258,595           | -                     | -                  | 1,258,595           |
| Total state and local per pupil operating revenue         | <u>13,926,267</u>   | <u>-</u>              | <u>-</u>           | <u>13,926,267</u>   |
| <b>Grants, contract and other support</b>                 |                     |                       |                    |                     |
| State and local grants                                    | 47,539              | -                     | -                  | 47,539              |
| Federal grants  | 639,886             | -                     | -                  | 639,886             |
| Contributions   | 12,000              | -                     | -                  | 12,000              |
| Rental income   | -                   | 4,247,091             | (4,247,091)        | -                   |
| Cancellation of debt                                      | 1,225,823           | -                     | -                  | 1,225,823           |
| Interest and other income                                 | 40,173              | -                     | -                  | 40,173              |
| Total operating revenue and other support                 | <u>15,891,688</u>   | <u>4,247,091</u>      | <u>(4,247,091)</u> | <u>15,891,688</u>   |
| <b>Expenses</b>   |                     |                       |                    |                     |
| <b>Program expenses</b>                                   |                     |                       |                    |                     |
| Regular education   | 11,995,556          | 44,172                | (3,078,255)        | 8,961,473           |
| Special education   | 3,271,479           | -                     | (807,762)          | 2,463,717           |
| Total program expenses                                    | <u>15,267,035</u>   | <u>44,172</u>         | <u>(3,886,017)</u> | <u>11,425,190</u>   |
| <b>Supporting services</b>                                |                     |                       |                    |                     |
| Management and general                                    | 1,623,266           | -                     | (361,074)          | 1,262,192           |
| Fundraising   | 13,041              | -                     | -                  | 13,041              |
| Total program and supporting services expenses            | <u>16,903,342</u>   | <u>44,172</u>         | <u>(4,247,091)</u> | <u>12,700,423</u>   |
| Change in net assets                                      | (1,011,654)         | 4,202,919             | -                  | 3,191,265           |
| Net assets without donor restrictions - beginning of year | <u>5,233,288</u>    | <u>330,402</u>        | <u>-</u>           | <u>5,563,690</u>    |
| Net assets without donor restrictions - end of year       | <u>\$ 4,221,634</u> | <u>\$ 4,533,321</u>   | <u>\$ -</u>        | <u>\$ 8,754,955</u> |



**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

**Schedule of Debt Covenants**

For the year ended June 30, 2022

|                             | <u>Minimum<br/>Requirement</u> | <u>Actual</u> |
|-----------------------------|--------------------------------|---------------|
| Debt service coverage ratio | 1.10                           | N/A           |
| Days cash on hand           | 45                             | 216           |

**The debt service coverage ratio is calculated as follows:**

|   |                     |       |
|---|---------------------|-------|
| Increase in net assets                  | \$ 2,223,777        |       |
| Add back: Interest expense              | -                   |       |
| Depreciation and amortization           | 384,873             |       |
| Net revenues available for debt service | <u>\$ 2,608,650</u> |       |
| <b>Debt service payments</b>            |                     |       |
| Interest expense                        | \$ 2,036,403        |       |
| Principal                               | -                   |       |
| Less: capitalized interest              | (2,036,403)         |       |
| <b>Total current debt service</b>       | <u>\$ -</u>         |       |
| Net revenues available for debt service | <u>\$ 2,608,650</u> | = N/A |
| <b>Total current debt service</b>       | <u>\$ -</u>         |       |

**The days cash on hand is calculated as follows:**

|                                       |                     |     |
|---------------------------------------|---------------------|-----|
| Total expenses                        | \$ 15,177,157       |     |
| Less: Depreciation and amortization   | (384,873)           |     |
| Net expenses                          | <u>14,792,284</u>   |     |
| Number of days                        | 365                 |     |
| Cash used per day                     | <u>\$ 40,527</u>    |     |
| Cash and cash equivalents at year end | <u>\$ 8,745,924</u> | =   |
| Cash used per day                     | <u>\$ 40,527</u>    | 216 |

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

**Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2022

| Federal Grantor/Program or Cluster Title  | Federal Assistance Listing Number | Pass-through Identifying Number | Federal Expenditures |
|---|-----------------------------------|---------------------------------|----------------------|
| <b>U.S. Department of Education</b>   |                                   |                                 |                      |
| <u>Pass-through New York State Education Department:</u>  |                                   |                                 |                      |
| Title I Grants to Local Educational Agencies  | 84.010A                           | 0021-22-4810                    | \$ 193,180           |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367A                           | 0147-22-4810                    | 36,341               |
| English Language Acquisition State Grants   | 84.365A                           | 0293-22-4810                    | 14,592               |
| English Language Acquisition State Grants   | 84.365A                           | 0149-22-4810                    | 25,886               |
| Total for program   |                                   |                                 | <u>40,478</u>        |
| Student Support and Academic Enrichment program   | 84.424A                           | 0204-22-4810                    | 3,034                |
| Charter Schools Program (CSP)   | 84.282A                           | NCG 21-015                      | <u>42,678</u>        |
| Education Stabilization Fund:   |                                   |                                 |                      |
| COVID-19 - Elementary and Secondary School Emergency Relief (ESSER2-CRRSA) Fund                 | 84.425D                           | 5891-21-4810                    | 486,266              |
| COVID-19 - Elementary and Secondary School Emergency Relief (ESSER3-ARP) Fund                   | 84.425U                           | 5880-21-4810                    | 171,522              |
| Total for program   |                                   |                                 | <u>657,788</u>       |
| Total U.S. Department of Education  |                                   |                                 | <u>973,499</u>       |
| <b>U.S. Department of Agriculture</b>   |                                   |                                 |                      |
| <u>Pass-through New York State Education Department:</u>  |                                   |                                 |                      |
| School Breakfast Program  | 10.553                            | 353100860984                    | 92,787               |
| National School Lunch Program   | 10.555                            | 353100860984                    | 322,763              |
| After School Snack Program  | 10.555                            | 353100860984                    | 2,494                |
| Total Child Nutrition Cluster   |                                   |                                 | <u>418,044</u>       |
| Total U.S. Department of Agriculture  |                                   |                                 | <u>418,044</u>       |
| Total Expenditures of Federal Awards  |                                   |                                 | <u>\$ 1,391,543</u>  |

## **NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

### **Notes to the Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2022

#### **Note 1 Basis of presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of New World Preparatory Charter School and Subsidiary (the “Organization”) 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 Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

#### **Note 2 Summary of significant accounting policies**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The amounts reported as expenditures in this Schedule may differ from certain financial reports submitted to federal funding agencies, due to those reports being submitted on either the cash or modified cash basis of accounting.

#### **Note 3 Indirect cost rate**

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

**Independent Auditor's 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***

To the Board of Trustees of  
New World Preparatory Charter School and Subsidiary

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 consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 27, 2022.

***Report on internal control over financial reporting***

In planning and performing our audit of the consolidated financial statements, we considered New World Preparatory Charter School and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary'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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

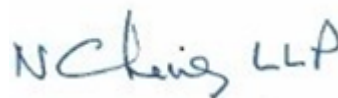
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

***Report on compliance and other matters***

As part of obtaining reasonable assurance about whether New World Preparatory Charter School and Subsidiary’s consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’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 organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "NChing LLP". The signature is written in a cursive, slightly slanted style.

New York, New York  
October 27, 2022

## **Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors of  
New World Preparatory Charter School and Subsidiary

### **Report on compliance for each major federal program**

#### ***Opinion on each major federal program***

We have audited New World Preparatory Charter School and Subsidiary’s 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 New World Preparatory Charter School and Subsidiary’s major federal programs for the year ended June 30, 2022. New World Preparatory Charter School and Subsidiary’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, New World Preparatory Charter School and Subsidiary 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 Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of New World Preparatory Charter School and Subsidiary 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 New World Preparatory Charter School and Subsidiary’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 New World Preparatory Charter School and Subsidiary's federal programs

### ***Auditor's 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 New World Preparatory Charter School and Subsidiary'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 New World Preparatory Charter School and Subsidiary'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 New World Preparatory Charter School and Subsidiary'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 New World Preparatory Charter School and Subsidiary'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 New World Preparatory Charter School and Subsidiary'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 Auditor's 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.

NChing LLP

New York, New York  
October 27, 2022



**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2022

**Schedule I – Summary of Auditor’s Results**

Financial statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes X no
- Significant deficiency(ies) identified that are not Considered to be material weakness(es)? \_\_\_ yes X none reported

Noncompliance material to 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 that are not Considered to be material weakness(es)? \_\_\_ yes X none reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance under Section 2CFR200.516(a) \_\_\_ yes X no

Identification of major federal programs:

|                       |   |
|-----------------------|---|
| Federal Assistance    |   |
| <u>Listing Number</u> | <u>Name of Federal Program or Cluster</u>                                       |
| 84.425D               | COVID-19 - Elementary and Secondary School Emergency Relief (ESSER2-CRRSA) Fund |
| 84.425U               | COVID-19 - Elementary and Secondary School Emergency Relief (ESSER3-ARP) Fund   |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_ yes X no

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2022

**Section II – Financial Statements findings**

None

**Section III - Federal award findings and questioned costs**

None

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

**Corrective Action Plan**

For the year ended June 30, 2022

Corrective action plan is not applicable for the year ended June 30, 2022.