

**OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS**

**QUEENS, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2022**

**(With Comparative Totals for 2021)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

## CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	10
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	20
Statement of Activities and Changes in Net Assets by Charter	21
Statement of Functional Expenses by Charter – Our World Neighborhood Charter School	22
Statement of Functional Expenses by Charter – Our World Neighborhood Charter School 2	23
Statement of Functional Expenses by Charter – Our World Neighborhood Charter School 3	24

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Our World Neighborhood Charter Schools

**Report on the Financial Statements**

**Opinion**

We have audited the financial statements of Our World Neighborhood Charter Schools, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Our World Neighborhood Charter Schools as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Financial Statements section of our report. We are required to be independent of Our World Neighborhood Charter Schools and to meet our other ethical responsibilities, in accordance with the 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 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 Our World Neighborhood Charter Schools' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Our World Neighborhood 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 Our World Neighborhood 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 Summarized Comparative Information**

We have previously audited Our World Neighborhood Charter Schools' June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 31, 2022

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals for 2021)

	<u>June 30,</u>	
<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,178,086	\$ 4,992,484
Grants and contracts receivable	1,228,467	574,055
Prepaid expenses	477,880	365,114
TOTAL CURRENT ASSETS	4,884,433	5,931,653
<u>PROPERTY AND EQUIPMENT</u> , net	1,697,271	1,474,484
<u>OTHER ASSETS</u>		
Cash in escrow	157,064	107,064
Security deposits	963,361	522,599
	1,120,425	629,663
TOTAL ASSETS	\$ 7,702,129	\$ 8,035,800
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 258,644	\$ 204,287
Accrued payroll and benefits	1,680,060	1,645,458
Deferred revenue	135,201	-
TOTAL CURRENT LIABILITIES	2,073,905	1,849,745
<u>OTHER LIABILITIES</u>		
Deferred lease liabilities	3,192,280	2,698,244
Long term debt	-	2,018,605
	3,192,280	4,716,849
TOTAL LIABILITIES	5,266,185	6,566,594
<u>NET ASSETS</u> , without donor restrictions	2,435,944	1,469,206
TOTAL LIABILITIES AND NET ASSETS	\$ 7,702,129	\$ 8,035,800

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022  
 (With Comparative Totals for 2021)

	Without donor restrictions	
	Year ended June 30,	
	2022	2021
Revenue, gains and other support:		
Public school district		
Resident student enrollment	\$ 17,163,617	\$ 15,846,899
Students with disabilities	1,538,447	1,483,201
Grants and contracts		
State and local	75,392	74,672
Federal - Title and IDEA	405,158	358,177
Federal - Other	1,628,511	309,279
NYC DOE rental assistance	1,517,476	1,215,875
Food service / child nutrition program	464,124	78,603
TOTAL REVENUE, GAINS AND OTHER SUPPORT	22,792,725	19,366,706
Expenses:		
Program services:		
Regular education	17,911,266	14,585,275
Special education	1,581,165	1,394,601
Total program services	19,492,431	15,979,876
Management and general	4,256,163	3,314,570
Fundraising	114,030	105,932
TOTAL OPERATING EXPENSES	23,862,624	19,400,378
DEFICIT FROM SCHOOL OPERATIONS	(1,069,899)	(33,672)
Support and other revenue:		
Contributions		
Foundations	-	19,842
Individuals	2,622	5,896
Interest income	116	1,852
Paycheck Protection Program loan forgiveness	2,018,605	-
Miscellaneous income	15,294	685
TOTAL SUPPORT AND OTHER REVENUE	2,036,637	28,275
CHANGE IN NET ASSETS	966,738	(5,397)
Net assets at beginning of year	1,469,206	1,474,603
NET ASSETS AT END OF YEAR	\$ 2,435,944	\$ 1,469,206

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022  
 (With Comparative Totals for 2021)

	No. of Positions	Year ended June 30,						Total	Total
		2022			2021				
		Program Services			Supporting Services				
Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total		
Personnel services costs:									
Administrative staff personnel	37	\$ 1,740,347	\$ 119,026	\$ 1,859,373	\$ 1,696,579	\$ 89,425	\$ 1,786,004	\$ 3,645,377	\$ 2,758,600
Instructional personnel	111	6,615,719	1,089,897	7,705,616	-	-	-	7,705,616	7,454,288
Non-instructional personnel	2	102,408	-	102,408	61,368	-	61,368	163,776	150,174
Total personnel services costs	150	8,458,474	1,208,923	9,667,397	1,757,947	89,425	1,847,372	11,514,769	10,363,062
Fringe benefits and payroll taxes		1,678,152	230,060	1,908,212	350,058	18,054	368,112	2,276,324	1,845,809
Retirement		397,932	53,398	451,330	93,187	5,381	98,568	549,898	503,246
Legal service		-	-	-	103,062	-	103,062	103,062	115,366
Accounting / audit services		-	-	-	60,400	-	60,400	60,400	48,060
Other purchased / professional / consulting services		1,243,519	-	1,243,519	462,201	-	462,201	1,705,720	669,554
Building and land rent / lease / facility finance interest		3,035,994	-	3,035,994	750,623	-	750,623	3,786,617	3,421,250
Repairs and maintenance		431,222	-	431,222	132,808	-	132,808	564,030	448,762
Insurance		126,108	-	126,108	29,568	-	29,568	155,676	126,674
Utilities		382,424	-	382,424	120,520	-	120,520	502,944	365,676
Supplies / materials		431,789	229	432,018	100,158	-	100,158	532,176	263,914
Equipment / furnishings		45,879	-	45,879	7,179	-	7,179	53,058	13,805
Staff development		202,379	66,794	269,173	1,772	-	1,772	270,945	118,813
Marketing / recruitment		253,080	21,761	274,841	-	850	850	275,691	87,404
Technology		161,743	-	161,743	99,545	-	99,545	261,288	118,339
Food service		484,516	-	484,516	-	-	-	484,516	111,558
Student services		6,268	-	6,268	-	-	-	6,268	(145)
Office expense		92,795	-	92,795	48,622	-	48,622	141,417	142,864
Depreciation		413,989	-	413,989	42,955	-	42,955	456,944	579,163
Other		65,003	-	65,003	95,558	320	95,878	160,881	57,204
		<u>\$ 17,911,266</u>	<u>\$ 1,581,165</u>	<u>\$ 19,492,431</u>	<u>\$ 4,256,163</u>	<u>\$ 114,030</u>	<u>\$ 4,370,193</u>	<u>\$ 23,862,624</u>	<u>\$ 19,400,378</u>

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 966,738	\$ (5,397)
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation	456,944	579,163
Paycheck Protection Program loan forgiveness	(2,018,605)	-
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(654,412)	(228,049)
Prepaid expenses and other current assets	(112,766)	(69,164)
Accounts payable and accrued expenses	54,357	126,250
Accrued payroll and benefits	34,602	156,252
Deferred revenue	135,201	(19,842)
Deferred lease liability	494,036	831,246
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	<u>(643,905)</u>	<u>1,370,459</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(679,731)	(639,137)
Security deposits	(440,762)	-
NET CASH USED FOR INVESTING ACTIVITIES	<u>(1,120,493)</u>	<u>(639,137)</u>
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,764,398)	731,322
Cash, cash equivalents, and restricted cash at beginning of year	<u>5,099,548</u>	<u>4,368,226</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 3,335,150</u>	<u>\$ 5,099,548</u>



OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</u>		
Reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 3,178,086	\$ 4,992,484
Cash in escrow	<u>157,064</u>	<u>107,064</u>
	<u>\$ 3,335,150</u>	<u>\$ 5,099,548</u>

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Our World Neighborhood Charter Schools is an education corporation that has authority to operate the Charter Schools as described below. The education corporation was organized to increase learning opportunities for students through innovative educational programs and to enable parents to be more involved in their children's education.

Our World Neighborhood Charter School ("OWN") is a charter school that operates under the education corporation in the borough of Queens, New York. On July 18, 2012, the Board of Regents of the University of the State of New York granted OWN a charter valid for a term of five years and renewed for an additional five years through July 31, 2022. On March 23, 2022, the School was granted an additional year renewal through July 31, 2023.

On June 13, 2016, the Board of Regents of the University of the State of New York amended the OWN charter agreement permitting additional charter schools under OWN's education corporation. During the 2017 fiscal year, OWN added Our World Neighborhood Charter School 2 ("OWN 2") under its expanded charter. The school opened for students in Fall 2018. The charter is valid until July 2023.

On October 18, 2018, the Board of Regents of the University of the State of New York approved an additional charter school, Our World Neighborhood Charter School 3 ("OWN 3"), to operate under the OWN education corporation. The school opened for students in Fall 2022. The charter is valid until July 2027.

Basis of presentation

The accompanying financial statements include the accounts of OWN, OWN 2 and OWN 3 (collectively referred to as the "Charter Schools"). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Financial Statement presentation

The financial statements of the Charter Schools have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter Schools report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter Schools had no net assets with donor restrictions at June 30, 2022 or 2021.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

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

Net Assets Without Donor Restrictions – The net assets over which the Board of Trustees has discretionary control to use in carrying on the Charter Schools' operations in accordance with the guidelines established by the Charter Schools. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Revenue recognition

Revenue from Exchange Transactions: The Charter Schools recognize revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter Schools record substantially all revenues over time as follows:

Public school district revenue

The Charter Schools recognize revenue as educational programming is provided to students throughout the year. The Charter Schools earn public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter Schools. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter Schools and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter Schools to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Rental assistance

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

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

	June 30,		
	2022	2021	2020
Grants and contracts receivable	\$ 6,975	\$ 118,020	\$ 182,687

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

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

Contributions

The Charter Schools recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. No contributions were deferred at June 30, 2022 and 2021.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Charter Schools' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter Schools have incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. The Charter Schools received cost-reimbursement grants of approximately \$1,224,000 and \$14,500 that have not been recognized at June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and certain money market account balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Charter Schools consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In the normal course of business, the cash and cash equivalent account balances at any given time may exceed insured limits. However, the Charter Schools have not experienced any losses in such accounts and do not believe they are exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Charter Schools maintain cash in escrow accounts, in accordance with the terms of the Charter Agreements. A portion of the account is invested in a certificate of deposit with a maturity date of one year or less. The escrow is restricted to fund legal and other costs related to the dissolution of the Charter Schools, should this become necessary. The amount in escrow was \$157,064 and \$107,064 at June 30, 2022 and 2021, respectively.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

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

Grants and contracts receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2022 or 2021.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which typically range from three to forty years.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflect in operations.

Security deposits

Security deposits consist of payments to third parties in connection with facility lease agreements.

Deferred lease liability

The Charter Schools lease their facilities. The leases contain pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter Schools recognize the related rent expense on a straight-line basis and record the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability. The amount of additional rent expense recognized in excess of the amounts paid under the leases was \$494,036 and \$831,246 for the years ended June 30, 2022 and 2021, respectively.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Tax exempt status

The education corporation is a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The education corporation files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2019 through June 30, 2022 are still subject to potential audit by the IRS. Management of the education corporation believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Charter Schools receive contributed services from volunteers to serve on the Board of Trustees. In addition, the Charter Schools receive transportation services and a school nurse for the students from the local district. The Charter Schools were unable to determine a value for these services.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

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

Marketing and costs

The Charter Schools expense marketing costs as they are incurred. Total marketing and recruiting costs approximated \$257,700 and \$87,400 for the years ended June 30, 2022 and 2021, respectively.

Comparatives for year ended June 30, 2021

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter Schools' financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of new accounting standard - gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School adopted this standard during the year ended June 30, 2022. There were no gifts-in-kind recorded for either of the years ended June 30, 2022 and 2021.

New accounting pronouncements - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter Schools are currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter Schools' financial position or results of operations.

Subsequent events

The Charter Schools have conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 31, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter Schools regularly monitor liquidity required to meet their operating needs and other contractual commitments. The Charter Schools' main source of liquidity is their cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter Schools consider all expenditures related to their ongoing activities of education and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter Schools anticipate collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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, comprise the following:

	June 30,	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,178,086	\$ 4,992,484
Grants and contracts receivable	<u>1,228,467</u>	<u>574,055</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 4,406,553</u>	<u>\$ 5,566,539</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 4,561,247	\$ 4,384,940
Equipment and furniture and fixtures	<u>4,173,057</u>	<u>3,669,633</u>
	8,734,304	8,054,573
Less accumulated depreciation	<u>7,037,033</u>	<u>6,580,089</u>
	<u>\$ 1,697,271</u>	<u>\$ 1,474,484</u>

Total depreciation expense was \$456,944 and \$579,163 for the years ended June 30, 2022 and 2021, respectively.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

NOTE D: COMMITMENTS

The Charter School leases classrooms and office facilities under non-cancelable lease agreements expiring at various dates through June 2056. Total rent expense for these spaces amounted to approximately \$3,298,900 and \$3,378,000 for the years ended June 30, 2022 and 2021, respectively. In August 2021, the Charter School entered into a lease agreement for an additional school facility. This lease is expected to commence on July 1, 2023. Monthly payments will begin at \$99,847 and increase to \$235,295 over the 30-year term of the lease. The Charter Schools have the option to terminate the lease at various points throughout the lease term, the first at 12 years after commencement. The lease requires payment of a \$300,000 security deposit.

In November 2021, the Charter School entered into a lease agreement for an additional school facility. This lease is expected to commence on February 1, 2023. The lease has a thirty-three year term upon completion of the building and monthly payments will begin at \$57,668 and increase to \$421,456 over the term of the lease. The lease requires payment of a \$250,000 security deposit. The Charter School entered into an agreement for temporary space beginning in August 2022 through January 2023 at approximately \$56,200 per month.

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through November 2025. Total expense for these leases amounted to approximately \$138,500 and \$139,900 for the years ended June 30, 2022 and 2021, respectively.

The minimum lease payments for the above cited leases are approximately as follows:

<u>Year ending June 30,</u>	<u>Facilities Leases</u>	<u>Equipment Leases</u>	<u>Total</u>
2023	\$ 4,083,100	\$ 160,000	\$ 4,243,100
2024	4,737,400	162,000	4,899,400
2025	4,888,800	131,600	5,020,400
2026	4,939,700	14,700	4,954,400
2027	5,440,500	-	5,440,500
Thereafter	<u>205,555,200</u>	<u>-</u>	<u>205,555,200</u>
	<u>\$ 229,644,700</u>	<u>\$ 468,300</u>	<u>\$ 230,113,000</u>

NOTE E: RETIREMENT PLAN

The Charter School sponsors a 401(k) plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. The Charter School matches 100% of the employee's contributions up to 3% of eligible compensation and makes a safe harbor contribution of 3% of eligible compensation per year. During the years ended June 30, 2022 and 2021, the Charter School contributed approximately \$549,900 and \$503,200, respectively, to the Plan.



OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

NOTE F: LONG TERM DEBT

In response to the COVID-19 outbreak, in April 2020 the Charter Schools applied for and were approved by a bank for a loan of \$2,018,605 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 2 years and an interest rate of 0.98%. The loan had the potential for forgiveness provided certain requirements were met by the Charter Schools. The loan was funded on April 25, 2020 and was included as long term debt in the statement of financial position at June 30, 2021. In September 2021, the Small Business Administration approved the forgiveness of the loan and all accrued interest, which is reported as Paycheck Protection Program loan forgiveness on the accompanying statement of activities and changes in net assets for the year ended June 30, 2022.

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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.

NOTE H: CONCENTRATIONS

At June 30, 2022, approximately 91% of grants and contracts receivable are due from New York State Department of Education relating to certain grants. During the year ended June 30, 2022, 82% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter Schools' students are located.

At June 30, 2021, approximately 60% of grants and contracts receivable are due from New York State Department of Education relating to certain grants. During the year ended June 30, 2021, 89% of total operating revenue and support came from per-pupil funding. The per-pupil rate is set annually by the State based on the school district in which the Charter Schools' students are located.

NOTE I: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses (including salaries, benefits and payroll taxes, purchased services, occupancy costs, and supplies and materials) which are allocated to more than one program or supporting function are allocated on the basis of estimates of time, effort, and usage.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

NOTE J: NET ASSETS (DEFICIENCY)

Net assets (deficiency) without donor restrictions are as follows:

	June 30,	
	<u>2022</u>	<u>2021</u>
Undesignated (deficiency)	\$ 738,673	\$ (5,278)
Invested in property and equipment	<u>1,697,271</u>	<u>1,474,484</u>
	<u>\$ 2,435,944</u>	<u>\$ 1,469,206</u>

There were no net assets with donor restrictions at June 30, 2022 and 2021.

NOTE K: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter Schools’ financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter Schools are not able to estimate the effects of the COVID-19 outbreak on the results of operations, financial condition, or liquidity for fiscal year 2023.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$1,016,694 and \$215,027 of revenue relative to ESSER grants during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022, the Charter Schools have approximately \$1,211,000 of ESSER grants available for expenditure through September 30, 2024.

NOTE L: RENEWAL PROCESS

The Charter Schools are currently in the process of renewing the charter granted by the Board of Regents of the University of the State of New York for OWN and OWN2. Both charters currently expire July 31, 2023. The renewal process includes review by the State University of New York Charter Schools Institute (CSI) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Upon review of the application and results, CSI will determine if the charters should be renewed. At this time, management of the Charter Schools expects the charters to be renewed.

**OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Our World Neighborhood Charter Schools

We have audited the financial statements of Our World Neighborhood Charter Schools as of and for the year ended June 30, 2022, and have issued our report thereon dated October 31, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter 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.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 31, 2022

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2022

	<u>Our World Neighborhood Charter School</u>	<u>Our World Neighborhood Charter School 2</u>	<u>Our World Neighborhood Charter School 3</u>	<u>Eliminations</u>	<u>Total</u>
Revenue, gains, and other support:					
Public school district					
Resident student enrollment	\$ 12,086,561	\$ 5,077,056	\$ -	\$ -	\$ 17,163,617
Students with disabilities	1,028,581	509,866	-	-	1,538,447
Grants and contracts					
State and local	56,428	18,964	-	-	75,392
Federal - Title and IDEA	263,311	141,847	-	-	405,158
Federal - Other	695,127	506,302	427,082	-	1,628,511
NYC DOE rental assistance	-	1,517,476	-	-	1,517,476
Food service / child nutrition program	464,124	-	-	-	464,124
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	14,594,132	7,771,511	427,082	-	22,792,725
Expenses:					
Program services:					
Regular education	11,624,502	5,935,595	351,169	-	17,911,266
Special education	1,202,411	354,337	24,417	-	1,581,165
Total program services	12,826,913	6,289,932	375,586	-	19,492,431
Management and general	2,476,660	1,396,170	383,333	-	4,256,163
Fundraising	54,434	29,882	29,714	-	114,030
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	15,358,007	7,715,984	788,633	-	23,862,624
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(763,875)	55,527	(361,551)	-	(1,069,899)
Support and other revenue:					
Contributions					
Individuals	2,622	-	-	-	2,622
Interest income	115	1	-	-	116
Paycheck Protection Program loan forgiveness	-	2,018,605	-	-	2,018,605
Miscellaneous income	9,125	6,169	-	-	15,294
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT AND OTHER REVENUE	11,862	2,024,775	-	-	2,036,637
CHANGE IN NET ASSETS	(752,013)	2,080,302	(361,551)	-	966,738
Net assets (deficiency) at beginning of year	3,808,613	(2,339,407)	-	-	1,469,206
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS (DEFICIENCY) AT END OF YEAR	\$ 3,056,600	\$ (259,105)	\$ (361,551)	\$ -	\$ 2,435,944

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –  
OUR WORLD NEIGHBORHOOD CHARTER SCHOOL

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising	Sub-total	
Personnel services costs:								
Administrative staff personnel	25	\$ 1,251,466	\$ 105,519	\$ 1,356,985	\$ 915,918	\$ 29,997	\$ 945,915	\$ 2,302,900
Instructional personnel	80	4,706,564	842,858	5,549,422	-	-	-	5,549,422
Non-instructional personnel	2	102,408	-	102,408	55,538	-	55,538	157,946
Total personnel services costs	107	6,060,438	948,377	7,008,815	971,456	29,997	1,001,453	8,010,268
Fringe benefits and payroll taxes		1,225,223	176,190	1,401,413	259,712	17,886	277,598	1,679,011
Retirement		281,976	43,400	325,376	75,117	5,381	80,498	405,874
Legal service		-	-	-	46,271	-	46,271	46,271
Accounting / audit services		-	-	-	40,240	-	40,240	40,240
Other purchased / professional / consulting services		823,968	-	823,968	311,101	-	311,101	1,135,069
Building and land rent / lease / facility finance interest		1,186,117	-	1,186,117	289,155	-	289,155	1,475,272
Repairs and maintenance		277,039	-	277,039	92,010	-	92,010	369,049
Insurance		84,496	-	84,496	21,124	-	21,124	105,620
Utilities		244,821	-	244,821	83,759	-	83,759	328,580
Supplies / materials		276,839	229	277,068	61,360	-	61,360	338,428
Equipment / furnishings		11,715	-	11,715	4,234	-	4,234	15,949
Staff development		135,557	16,454	152,011	5,772	-	5,772	157,783
Marketing / recruitment		100,227	17,761	117,988	-	850	850	118,838
Technology		102,422	-	102,422	72,646	-	72,646	175,068
Food service		484,516	-	484,516	-	-	-	484,516
Student services		1,125	-	1,125	-	-	-	1,125
Office expense		67,798	-	67,798	42,301	-	42,301	110,099
Depreciation		207,409	-	207,409	11,196	-	11,196	218,605
Other		52,816	-	52,816	89,206	320	89,526	142,342
		<u>\$ 11,624,502</u>	<u>\$ 1,202,411</u>	<u>\$ 12,826,913</u>	<u>\$ 2,476,660</u>	<u>\$ 54,434</u>	<u>\$ 2,531,094</u>	<u>\$ 15,358,007</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –  
OUR WORLD NEIGHBORHOOD CHARTER SCHOOL 2

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising	Sub-total	
Personnel services costs:								
Administrative staff personnel	9	\$ 241,308	\$ -	\$ 241,308	\$ 550,178	\$ 29,714	\$ 579,892	\$ 821,200
Instructional personnel	31	1,895,550	240,712	2,136,262	-	-	-	2,136,262
Total personnel services costs	40	2,136,858	240,712	2,377,570	550,178	29,714	579,892	2,957,462
Fringe benefits and payroll taxes		430,552	49,882	480,434	79,197	168	79,365	559,799
Retirement		104,707	9,403	114,110	13,721	-	13,721	127,831
Legal service		-	-	-	11,000	-	11,000	11,000
Accounting / audit services		-	-	-	20,160	-	20,160	20,160
Other purchased / professional / consulting services		414,471	-	414,471	90,623	-	90,623	505,094
Building and land rent / lease / facility finance interest		1,828,535	-	1,828,535	457,133	-	457,133	2,285,668
Repairs and maintenance		154,183	-	154,183	39,930	-	39,930	194,113
Insurance		41,612	-	41,612	7,797	-	7,797	49,409
Utilities		137,259	-	137,259	31,842	-	31,842	169,101
Supplies / materials		148,926	-	148,926	38,798	-	38,798	187,724
Equipment / furnishings		34,164	-	34,164	2,945	-	2,945	37,109
Staff development		64,947	50,340	115,287	(4,000)	-	(4,000)	111,287
Marketing / recruitment		134,856	4,000	138,856	-	-	-	138,856
Technology		56,458	-	56,458	12,765	-	12,765	69,223
Student services		5,143	-	5,143	-	-	-	5,143
Office expense		24,997	-	24,997	6,321	-	6,321	31,318
Depreciation		206,580	-	206,580	31,759	-	31,759	238,339
Other		11,347	-	11,347	6,001	-	6,001	17,348
		<u>\$ 5,935,595</u>	<u>\$ 354,337</u>	<u>\$ 6,289,932</u>	<u>\$ 1,396,170</u>	<u>\$ 29,882</u>	<u>\$ 1,426,052</u>	<u>\$ 7,715,984</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –  
OUR WORLD NEIGHBORHOOD CHARTER SCHOOL 3

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising	Sub-total	
Personnel services costs:								
Administrative staff personnel	3	\$ 247,573	\$ 13,507	\$ 261,080	\$ 230,483	\$ 29,714	\$ 260,197	\$ 521,277
Instructional personnel	-	13,605	6,327	19,932	-	-	-	19,932
Non-instructional personnel	-	-	-	-	5,830	-	5,830	5,830
Total personnel services costs	3	261,178	19,834	281,012	236,313	29,714	266,027	547,039
Fringe benefits and payroll taxes		22,377	3,988	26,365	11,149	-	11,149	37,514
Retirement		11,249	595	11,844	4,349	-	4,349	16,193
Legal service		-	-	-	45,791	-	45,791	45,791
Other purchased / professional / consulting services		5,080	-	5,080	60,477	-	60,477	65,557
Building and land rent / lease / facility finance interest		21,342	-	21,342	4,335	-	4,335	25,677
Repairs and maintenance		-	-	-	868	-	868	868
Insurance		-	-	-	647	-	647	647
Utilities		344	-	344	4,919	-	4,919	5,263
Supplies / materials		6,024	-	6,024	-	-	-	6,024
Staff development		1,875	-	1,875	-	-	-	1,875
Marketing / recruitment		17,997	-	17,997	-	-	-	17,997
Technology		2,863	-	2,863	14,134	-	14,134	16,997
Other		840	-	840	351	-	351	1,191
		<u>\$ 351,169</u>	<u>\$ 24,417</u>	<u>\$ 375,586</u>	<u>\$ 383,333</u>	<u>\$ 29,714</u>	<u>\$ 413,047</u>	<u>\$ 788,633</u>



**OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS**

**QUEENS, NEW YORK**

**SCHEDULES REQUIRED BY GOVERNMENT AUDITING  
STANDARDS AND THE UNIFORM GUIDANCE**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2022**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

## CONTENTS

<u>SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE</u>	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance	5
Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	11
Summary Schedule of Status of Prior Audit Findings	13
Corrective Action Plan	14

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

Board of Trustees  
Our World Neighborhood Charter Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Our World Neighborhood Charter Schools, which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 31, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Our World Neighborhood Charter Schools' internal control over financial reporting (internal control) as a basis for designing 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 Our World Neighborhood Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Our World Neighborhood Charter Schools' 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. 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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Our World Neighborhood Charter Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 31, 2022



MENGEL METZGER BARR & CO. LLP  
Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees  
Our World Neighborhood Charter Schools

**Report on Compliance for Each Major Federal Program**

***Qualified Opinion***

We have audited Our World Neighborhood Charter Schools’ 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 Our World Neighborhood Charter Schools’ major federal programs for the year ended June 30, 2022. Our World Neighborhood Charter Schools’ 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, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Our World Neighborhood Charter Schools complied, in all material respects, with the 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 Qualified 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Our World Neighborhood Charter Schools 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 Our World Neighborhood Charter Schools’ compliance with the compliance requirements referred to above.

***Matter Giving Rise to Qualified Opinion on Elementary and Secondary Schools Emergency Relief Fund Program***

As described in the accompanying schedule of findings and questioned costs, Our World Neighborhood Charter Schools did not comply with requirements regarding Assistance Listing No. 84.425 Elementary and Secondary Schools Emergency Relief Fund Program as described in finding number 2022-001 for Equipment and Real Property Maintenance.

Compliance with such requirements is necessary, in our opinion, for Our World Neighborhood Charter Schools to comply with the requirements applicable to that program.

***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 Our World Neighborhood Charter Schools' 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 Our World Neighborhood Charter Schools' 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 GAAS, *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 Our World Neighborhood Charter Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Our World Neighborhood Charter Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Our World Neighborhood Charter Schools' 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 Our World Neighborhood Charter Schools' 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.

## ***Other Matters***

*Government Auditing Standards* requires the auditor to perform limited procedures on Our World Neighborhood Charter Schools' response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Our World Neighborhood Charter Schools' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on Our World Neighborhood Charter Schools' response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Our World Neighborhood Charter Schools' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Our World Neighborhood Charter Schools as of and for the year ended June 30, 2022, and have issued our report thereon dated October 31, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 31, 2022



OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 227,951
Title IIA - Supporting Effective Instruction State Grant	84.367	0147	39,856
Title IV- Student Support and Academic Enrichment Program	84.424	0204	23,730
Charter Schools Program - Replication and Expansion of High-Quality Charter Schools	84.282M	C403959	427,082
<u>Education Stabilization Funds</u>			
ESSER II - Elementary and Secondary School Emergency Relief Fund	84.425D	5891	16,525
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	5880	<u>1,000,169</u>
<i>Total Education Stabilization Funds</i>			<u>1,016,694</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			1,735,313
U.S. Department of Agriculture:			
<u>Passed through New York State Education Department:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	343000860836	122,239
National School Lunch Program	10.555	343000860836	244,332
Emergency Operational Cost - COVID	10.555	343000860836	<u>40,458</u>
<i>Total Child Nutrition Cluster</i>			<u>407,029</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			407,029
Federal Communications Commission:			
<u>Passed through the Universal Service</u>			
<u>Administrative Company</u>			
Emergency Connectivity Fund Program	32.009	232247	48,340
Emergency Connectivity Fund Program	32.009	17,015,761	<u>19,558</u>
<i>Total Emergency Connectivity Fund Program</i>			<u>67,898</u>
TOTAL FEDERAL COMMUNICATIONS COMMISSION			<u>67,898</u>
TOTAL ALL PROGRAMS			<u>\$ 2,210,240</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2022

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of Our World Neighborhood Charter Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Our World Neighborhood Charter Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

SUMMARY OF AUDITOR'S RESULTS

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified?            yes   x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            yes   x   none reported

Noncompliance material to financial statements noted?            yes   x   no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified?   x   yes            no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            yes   x   none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   yes            no

Identification of major program:

*AL Number:*

84.425D & 84.425U

*Name of Federal Program or Cluster:*

ESSER II & ARP ESSER

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

Auditee qualified as low-risk auditee?            yes   x   no

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

- NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

**Finding 2022-001:**

Identification of the Federal Program

Assistance Listing (AL) 84.425 Education Stabilization Fund (ESF) / Elementary and Secondary School Emergency Relief Fund

Criteria

Requirements per section 2 CFR Section 200.313(d)(2) of the Uniform Guidance state that a physical inventory of any property purchased with Federal Funds must be taken and the results reconciled with the property records at least every two years.

Statement of condition

During our audit we noted the Charter Schools did not adhere to the terms of their financial policies and procedures manual and federal statutes, regulations, and terms and conditions of the awards received as they did not perform an inventory count every two years for assets purchased with Federal funds.

Cause

Management's internal control procedures did not identify the need for a property inventory count on a bi-annual basis. The procedure was included in the Charter Schools internal financial policies and procedures manual as required but the actual count did not occur.

Effect or Potential Effect

Without a regular inventory count, property and equipment could be lost or stolen and would not be identified in a timely manner.

Questioned Costs

N/A

Recommendation

We recommend the Charter Schools adhere to the terms of their financial policies and procedures manual to perform inventory audits over assets purchased with Federal funds.

Views of Responsible Officials

We agree with the finding and will perform a physical count of inventory for all property purchased with federal funds as required going forward.

Auditor's Evaluation of the Views of Responsible Officials

Management's response is appropriate to address the finding. If properly implemented, management's response would include procedures to prevent reoccurrence in the future.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

SUMMARY SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

**Finding 2021-001**

Statement of condition

During our audit we noted the Charter Schools did not adhere to the terms of their charter agreement, resulting in a late deposit of \$50,000 into the Charter Schools' escrow account.

Criteria and effect of conditions

During our audit we noted the Charter Schools' charter agreement required the School to deposit \$75,000 into the escrow account by June 30, 2021. The Charter Schools had previously deposited \$25,000 to the escrow account. We noted the Charter School did not deposit the remaining \$50,000 into the escrow account until August 18, 2021.

Recommendation

We recommend the Charter School adhere to the terms of the charter agreement when funding the escrow accounts.

Management Response

During our normal business operations, Our World Neighborhood Charter Schools adhered to the terms of the charter agreement when funding the escrow accounts. As the Charter School operated during this pandemic era, the Charter School experienced minor delays in getting certain tasks executed on a timely manner. For a period, banks were closed and operated by appointment only. While the Charter School did not meet the deadline, the funds were duly deposited in August 2021.

Status of Prior Findings

The Charter School replenished the funds to bring the balance to the required \$75,000 in August 2021. The balance has been maintained for the entire year.



# Our World Neighborhood Charter Schools

EDUCATING OUR STUDENTS TO BECOME INDEPENDENT THINKERS AND LIFE-LONG LEARNERS!

**October 31, 2022**

## **Corrective Action Plan**

In response to audit finding reference number 2022-001, our planned corrective action for the finding is to perform a physical inventory of any property purchased with federal funds as required. Said tasks will be listed as an action item on the business office annual calendar. Karrine Montaque can be contacted at [kmontaque@owncs.org](mailto:kmontaque@owncs.org) regarding said task. The anticipated completion date is March 31, 2023.

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31-20 37th Street  
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**OWN 2 - Howard Beach**  
135-25 79th Street  
Howard Beach, New York 11414  
(347)-390-3290

**OWN 3 - Elmhurst**  
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(718)-392-3405