

Ascend Charter Schools

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

June 30, 2023 and 2022

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Independent Auditors' Report

Board of Trustees
Ascend Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ascend Charter Schools (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ascend Charter Schools as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ascend Charter Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, Ascend Charter Schools adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of right of use assets and related lease liabilities effective July 1, 2022. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ascend Charter Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ascend Charter Schools' ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school, for the year ended June 30, 2023 on pages 20 through 29 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 30 and 31 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, on our consideration of Ascend Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ascend Charter Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ascend Charter Schools' internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
November 28, 2023

Ascend Charter Schools

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,575,298	\$ 12,128,307
Certificates of deposit	7,674,900	15,013,898
Grants and contracts receivable	15,994,676	10,274,467
Due from related party	4,675,447	2,468,211
Prepaid expenses	186,955	590,625
Total Current Assets	38,107,276	40,475,508
Right of use assets - operating leases, net	369,024,004	-
Property and equipment, net	16,776,732	14,933,943
Security deposits	549,030	532,545
Restricted cash	325,451	325,296
	<u>\$ 424,782,493</u>	<u>\$ 56,267,292</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,222,279	\$ 3,563,036
Accrued payroll and payroll taxes	4,701,122	4,129,421
Refundable advances	306,372	1,790,602
Loan payable, current portion	145,572	136,774
Operating lease liabilities, current portion	15,411,567	-
Deferred rent, current portion	-	1,931,928
Due to related party	1,480,749	4,187,541
Total Current Liabilities	24,267,661	15,739,302
Loan payable	1,802,184	1,939,040
Operating lease liabilities	384,791,872	-
Deferred rent	-	28,355,955
Total Liabilities	410,861,717	46,034,297
Net assets, without donor restrictions	<u>13,920,776</u>	<u>10,232,995</u>
	<u>\$ 424,782,493</u>	<u>\$ 56,267,292</u>

See notes to financial statements

Ascend Charter Schools

Statements of Activities

	Year Ended June 30,	
	2023	2022
OPERATING REVENUE		
State and local per pupil operating revenue		
General and special education	\$ 108,329,707	\$ 106,041,716
Facilities	16,385,234	14,237,165
Federal grants	14,520,848	14,223,586
Federal E-Rate and IDEA	3,359,710	2,132,471
State grants	614,703	572,852
	<u>143,210,202</u>	<u>137,207,790</u>
EXPENSES		
Program Services		
Regular education	103,384,132	92,689,844
Special education	17,150,413	19,232,277
Total Program Services	120,534,545	111,922,121
Supporting Services		
Management and general	25,410,975	23,743,462
	<u>145,945,520</u>	<u>135,665,583</u>
(Deficit) Surplus from Operations	<u>(2,735,318)</u>	<u>1,542,207</u>
SUPPORT AND OTHER REVENUE		
Contributions from Ascend Learning, Inc.	3,500,000	-
Contributions and private grants	201,066	6,940
Rental income	68,831	200,000
Interest and other revenue	544,219	26,952
Gain on transfer of lease to related party	2,108,983	-
Total Support and Other Revenue	<u>6,423,099</u>	<u>233,892</u>
Change in Net Assets	3,687,781	1,776,099
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	<u>10,232,995</u>	<u>8,456,896</u>
End of year	<u>\$ 13,920,776</u>	<u>\$ 10,232,995</u>

See notes to financial statements

Ascend Charter Schools

Statement of Functional Expenses Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	125	\$ 6,151,128	\$ 1,130,531	\$ 7,281,659	\$ 6,369,681	\$ 13,651,340
Instructional personnel	521	40,429,336	6,470,731	46,900,067	-	46,900,067
Non-instructional personnel	22	-	-	-	357,747	357,747
Total Personnel Services Costs	668	46,580,464	7,601,262	54,181,726	6,727,428	60,909,154
Employee benefits and payroll taxes		8,923,585	1,648,255	10,571,840	1,444,817	12,016,657
Professional fees		817,112	149,805	966,917	1,062,976	2,029,893
Management fees		5,912,285	905,135	6,817,420	9,810,430	16,627,850
Consultants - education		4,077,444	38,810	4,116,254	-	4,116,254
Legal fees		-	-	-	1,304	1,304
Curriculum and classroom supplies		3,625,495	494,697	4,120,192	-	4,120,192
Office supplies		-	-	-	716,212	716,212
Non-capitalized furniture and equipment		255,338	50,653	305,991	43,617	349,608
Leased equipment, furniture and fixtures		598,069	113,108	711,177	100,122	811,299
Communications		3,583,763	649,211	4,232,974	592,781	4,825,755
Occupancy		22,028,914	4,320,270	26,349,184	3,803,451	30,152,635
Insurance		590,136	111,912	702,048	97,975	800,023
Repairs and maintenance		1,037,344	156,744	1,194,088	163,168	1,357,256
Security		1,425	316	1,741	266	2,007
Marketing and recruiting		229,726	42,723	272,449	34,073	306,522
Staff development		972,964	99,679	1,072,643	101,643	1,174,286
Travel and meals		393,815	75,228	469,043	65,951	534,994
Postage, printing and copying		57,972	9,940	67,912	9,777	77,689
Dues and subscriptions		635,955	123,145	759,100	106,157	865,257
Depreciation and amortization		2,968,280	537,387	3,505,667	502,315	4,007,982
Interest		94,046	22,133	116,179	19,171	135,350
Miscellaneous		-	-	-	7,341	7,341
Total Expenses		\$ 103,384,132	\$ 17,150,413	\$ 120,534,545	\$ 25,410,975	\$ 145,945,520

See notes to financial statements

Ascend Charter Schools

Statement of Functional Expenses Year Ended June 30, 2022

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

See notes to financial statements

Ascend Charter Schools

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,687,781	\$ 1,776,099
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	4,007,982	3,392,536
Amortization of right of use assets - operating leases	17,177,193	-
Gain on transfer of lease to related party	(2,108,983)	-
Deferred rent	-	2,740,149
Changes in operating assets and liabilities		
Grants and contracts receivable	(5,720,209)	(6,808,819)
Due from related party	(2,207,236)	(1,617,106)
Prepaid expenses	403,670	(79,939)
Security deposits	(16,485)	(200,000)
Accounts payable and accrued expenses	(1,340,757)	1,660,521
Accrued payroll and payroll taxes	571,701	230,247
Operating lease liabilities	(14,176,658)	-
Refundable advances	(1,484,230)	1,756,260
Due to related party	(2,706,792)	3,049,196
Net Cash from Operating Activities	<u>(3,913,023)</u>	<u>5,899,144</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,850,771)	(4,344,641)
Redemption of certificates of deposit	7,338,998	-
Purchase of certificates of deposit	-	(10,012,147)
Net Cash from Investing Activities	<u>1,488,227</u>	<u>(14,356,788)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments of loan payable	<u>(128,058)</u>	<u>(127,235)</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	(2,552,854)	(8,584,879)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	<u>12,453,603</u>	<u>21,038,482</u>
End of year	<u>\$ 9,900,749</u>	<u>\$ 12,453,603</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 135,350	\$ 135,230
Cash paid for amounts included in the measurement of operating lease liabilities	26,969,744	-

See notes to financial statements

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

1. Organization and Tax Status

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

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

Brooklyn Ascend Charter School (“Brooklyn Ascend”) – Brooklyn Ascend was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Brooklyn Ascend obtained a renewal to its charter expiring on July 31, 2024.

Brownsville Ascend Charter School (“Brownsville Ascend”) – Brownsville Ascend was granted a provisional charter on January 13, 2009 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Brownsville Ascend obtained a renewal to its charter expiring on July 31, 2024.

Bushwick Ascend Charter School (“Bushwick Ascend”) – Bushwick Ascend was granted a provisional charter on February 9, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Bushwick Ascend obtained a renewal to its charter expiring on July 31, 2024.

Canarsie Ascend Charter School (“Canarsie Ascend”) – Canarsie Ascend was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Canarsie Ascend obtained a renewal to its charter expiring on July 31, 2024.

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

Cypress Hills Ascend Charter School (“Cypress Hills Ascend”) – Cypress Hills Ascend was granted a provisional charter on July 19, 2017 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Cypress Hills Charter will expire on July 31, 2024.

East Brooklyn Ascend Charter School (“East Brooklyn Ascend”) – East Brooklyn Ascend was granted a provisional charter on July 19, 2017 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. East Brooklyn Charter will expire on July 31, 2024.

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

1. Organization and Tax Status (*continued*)

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

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

On March 8, 2019, the School was granted a provisional charter to operate Brooklyn Ascend Charter School 6, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School received an extension with its Authorizer to extend the provisional charter through July 31, 2024.

The School provided education to approximately 5,690 students in kindergarten through twelfth grades during the 2022-2023 academic year.

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Adoption of New Accounting Pronouncement

Leases

The School adopted Financial Accounting Standards Board ("FASB") *Topic 842, Leases* ("Topic 842"), using the effective date method with July 1, 2022 as the date of initial adoption, with certain practical expedients available.

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncement (continued)

Leases (continued)

The School elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing whether the contracts contain leases under the new standard, whether classification of capital (now finance) leases or operating leases would be different in accordance with the new guidance, or whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance on July 1, 2022, the School recognized operating lease liabilities of \$414,405,606 that represent the present value of the remaining operating lease payments of \$572,162,592, discounted with risk free interest rates using the treasury bond rate ranging from 2.88% to 3.28% depending on the lease term, and right of use ("ROU") assets of \$386,201,197 that represent the discounted operating lease liabilities of \$414,405,606, with the ROU assets adjusted for deferred rent of \$28,204,410.

The adoption of Topic 842 had a material impact on the School's statement of financial position but did not have a material impact on its statements of activities and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Net Assets Presentation

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

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

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2023 and 2022.

Cash Equivalents

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

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

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

Restricted Cash

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

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

	2023	2022
Cash and cash equivalents	\$ 9,575,298	\$ 12,128,307
Restricted cash	<u>325,451</u>	<u>325,296</u>
	<u>\$ 9,900,749</u>	<u>\$ 12,453,603</u>

Certificate of Deposit

Certificate of deposit are carried at cost plus accrued interest.

Property and Equipment

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

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

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

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount of the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2023 and 2022.

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

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

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use ("ROU") assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the School made the short-term lease election.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately.

The School's lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets. For the year ended June 30, 2022, U.S. GAAP guidance stated rent shall be charged to expense over the lease term as it became payable.

If rental payments are not made on a straight-line basis, rental expense shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. The difference between the straight-line rent expense and rent paid is reflected as a deferred rent liability in the statement of financial position as of June 30, 2022.

Refundable Advances

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

Revenue and Support

Revenue from state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

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

Revenue and Support (continued)

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruiting

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Accordingly, all costs in marketing and recruitment are allocated to program and management and general expenditures and expensed as incurred. Marketing and recruiting expense for the years ended June 30, 2023 and 2022 was \$306,522 and \$224,929.

Measure of Operations

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

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses, such as personnel services cost, employee benefits and payroll taxes, occupancy expense, communications, and repairs and maintenance have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2020.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 28, 2023.

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

3. Grants and Contracts Receivable

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

4. Related Party Transactions (not disclosed elsewhere)

The School contracts with Ascend Learning, Inc. ("Ascend"), a New York State not-for-profit corporation, to serve as the School's charter management organization. The School entered into a one year agreement with Ascend on July 1, 2022 which calls for Ascend to design, select and implement the School's educational program as well as the professional development activities for all the School personnel; recruit, supervise and evaluate the School's director; propose employment policies and practices relating to School personnel; and manage the School's business administration.

For the years ended June 30, 2023 and 2022, each charter school paid Ascend an annual fee of 13.25% of the School's per pupil operating revenue, per pupil facilities revenue and federal Individuals with Disabilities Education Act revenue. The management fee for the years ended June 30, 2023 and 2022 amounted to \$16,627,850 and \$16,045,384.

The School entered into a sublease agreement with Ascend on July 1, 2011. There are two amendments to the agreement. The terms of the agreement permit Ascend to use the 6th floor of one of the buildings that the School occupies. Ascend increased use of the floor over the term of the lease, and rent increased accordingly. Rental income for the years ended June 30, 2023 and 2022 amounted to \$200,000.

The School is related to of Friends of Ascend Charter Schools, Inc. ("FOA"), a New York State not-for-profit corporation, by common management. FOA's purpose is to support the operation of the School by managing the School's real estate and facilities-related needs, and by raising funds and resources that will enable FOA to provide support to the School and to enhance the experience of the School's students. The School entered into various sublease agreements with FOA for classroom facilities (Note 10). A lease agreement for a facility used by the School during the year ended June 30, 2023 was transferred to FOA and a new sublease agreement was entered into between FOA and the School. As a result of the transfer, an unamortized deferred rent liability was written off resulting in a non-operating gain of \$2,108,983 which is reported as gain on transfer of lease to related party on the statements of activities.

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

	2023	2022
Ascend	\$ (1,480,749)	\$ (4,187,541)
FOA	4,675,447	2,468,211
	<u>\$ 3,194,698</u>	<u>\$ (1,719,330)</u>

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

5. Property and Equipment

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

	2023	2022
Computers and technology	\$ 11,368,348	\$ 9,718,495
Equipment	1,511,271	1,384,073
Furniture and fixtures	5,431,171	4,761,068
Software	219,000	219,000
Website development	143,277	143,277
Leasehold improvements	16,035,842	12,747,862
Construction in progress	2,743,772	2,628,135
	<u>37,452,681</u>	<u>31,601,910</u>
Accumulated depreciation and amortization	<u>(20,675,949)</u>	<u>(16,667,967)</u>
	<u>\$ 16,776,732</u>	<u>\$ 14,933,943</u>

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

6. Liquidity and Availability of Financial Assets

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

	2023	2022
Cash and cash equivalents	\$ 9,575,298	\$ 12,128,307
Certificates of deposit	7,674,900	15,013,898
Grants and contracts receivable	15,994,676	10,274,467
Due from related party	4,675,447	2,468,211
	<u>\$ 37,920,321</u>	<u>\$ 39,884,883</u>

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

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match employee contributions ranging from 1% to 5% of annual compensation. Total employer match for the years ended June 30, 2023 and 2022 was \$318,729 and \$946,803.

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash, cash equivalents, and certificates of deposit on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2023 and 2022, approximately \$17,193,000 and \$26,630,000 of cash was maintained with an institution in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2023 and 2022, the School received approximately 83% and 88% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

10. Commitments

School Facilities

Brooklyn Ascend

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

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

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

Subleases With FOA

Beginning in September 2017, the School began entering into sublease agreements with FOA for classroom and office space under non-cancelable leases for multiple schools. All properties are currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out the of the School's occupancy.

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

10. Commitments *(continued)*

School Facilities *(continued)*

Subleases With FOA *(continued)*

The following is the summary of the locations and terms of the sublease agreements the School had with FOA at June 30, 2023:

Charter	School	Location	Effective Date	Termination Date
Brooklyn Ascend	Brooklyn Ascend High School	1501 Pitkin Avenue	7/1/2022	6/30/2032
Brownsville Ascend	Brownsville Ascend Lower and Middle	1501 Pitkin Avenue	7/1/2022	6/30/2032
Bushwick Ascend	Bushwick Ascend Lower	751 Knickerbocker Avenue	7/1/2017	6/30/2045
Bushwick Ascend	Bushwick Ascend Middle	2 Aberdeen Street	7/1/2017	6/30/2045
Canarsie Ascend	Canarsie Ascend Lower	9719 Flatlands Avenue	7/1/2022	6/30/2033
Canarsie Ascend	Canarsie Ascend Middle	744 East 87th Street	7/1/2017	6/30/2047
Central Brooklyn Ascend	Central Brooklyn Ascend Lower	465 East 29th Street	7/1/2017	6/30/2045
Central Brooklyn Ascend	Central Brooklyn Ascend Middle	1886 Nostrand Avenue	7/1/2017	6/30/2045
Cypress Hills Ascend	Cypress Hills Ascend Lower and Middle	396 Grant Avenue	7/1/2018	6/30/2048
East Brooklyn Ascend	East Brooklyn Ascend Lower	260 Shepherd Avenue	7/1/2019	6/30/2048
East Flatbush Ascend	East Flatbush Ascend Lower	870 Albany Avenue	7/1/2019	6/30/2048
Flatbush Ascend	Flatbush Ascend Lower	123 Linden Boulevard	7/1/2021	6/30/2039
Flatbush Ascend	Flatbush Ascend Middle	1833 Nostrand Avenue	7/1/2023	6/30/2055

Occupancy expense for the years ended June 30, 2023 and 2022 was \$30,152,635 and \$26,432,608.

Right of use assets consist of the following at June 30, 2023:

ROU assets - operating lease	\$ 386,201,197
Accumulated amortization	(17,177,193)
	<u>\$ 369,024,004</u>

Weighted average remaining lease term	19.1 years
Weighted average discount rate	3.16%

Future minimum lease payments are as follows for the years ending June 30:

2024	\$ 27,729,235
2025	28,219,468
2026	28,708,943
2027	29,419,790
2028	30,178,132
Thereafter	400,937,280
Total minimum lease payments	545,192,848
Present value discount	(144,989,409)
Present value of operating lease liability	400,203,439
Current portion	(15,411,567)
Operating lease liabilities, less current portion	<u>\$ 384,791,872</u>

Ascend Charter Schools

Notes to Financial Statements June 30, 2023 and 2022

11. Loan Payable

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

The School must maintain five financial performance covenants all of which were assessed starting with the fiscal year ended June 30, 2020. For the years ended June 30, 2023 and 2022, the School is in compliance with all financial covenants.

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

2024	\$ 145,572
2025	154,935
2026	164,901
2027	<u>1,482,348</u>
	1,947,756
Current portion	<u>(145,572)</u>
	<u>\$ 1,802,184</u>

12. Contingency

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

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

* * * * *

Ascend Charter Schools

Supplementary Information

June 30, 2023

Ascend Charter Schools

Schedule of Activities by School
Year Ended June 30, 2023

	Brooklyn Ascend	Brownsville Ascend	Bushwick Ascend	Canarsie Ascend	Central Brooklyn Ascend	Cypress Hills Ascend	East Brooklyn Ascend	East Flatbush Ascend	Flatbush Ascend	Total
OPERATING REVENUE										
State and local per pupil operating revenue										
General and special education	\$ 26,054,206	\$ 16,183,063	\$ 15,159,484	\$ 17,838,402	\$ 14,635,268	\$ 7,297,745	\$ 2,000,191	\$ 4,502,735	\$ 4,658,613	\$ 108,329,707
Facilities	2,326,105	1,703,462	1,464,734	3,384,287	2,930,459	1,510,927	541,056	1,229,858	1,294,346	16,385,234
Federal grants	3,375,261	2,123,850	1,973,544	2,740,655	2,167,380	752,828	267,860	541,029	578,441	14,520,848
Federal E-Rate and IDEA	710,227	442,473	420,504	404,462	401,962	214,328	104,034	131,042	530,678	3,359,710
State and city grants	<u>137,225</u>	<u>194,780</u>	<u>84,088</u>	<u>92,837</u>	<u>71,631</u>	<u>8,236</u>	<u>1,489</u>	<u>15,138</u>	<u>9,279</u>	<u>614,703</u>
Total Operating Revenue	<u>32,603,024</u>	<u>20,647,628</u>	<u>19,102,354</u>	<u>24,460,643</u>	<u>20,206,700</u>	<u>9,784,064</u>	<u>2,914,630</u>	<u>6,419,802</u>	<u>7,071,357</u>	<u>143,210,202</u>
EXPENSES										
Program Services										
Regular education	26,506,548	14,385,156	13,894,581	15,067,310	13,544,566	6,708,932	4,125,262	4,163,950	4,987,827	103,384,132
Special education	<u>2,374,031</u>	<u>3,894,638</u>	<u>3,160,385</u>	<u>1,645,373</u>	<u>1,715,380</u>	<u>1,858,166</u>	<u>315,536</u>	<u>805,038</u>	<u>1,381,866</u>	<u>17,150,413</u>
Total Program Services	28,880,579	18,279,794	17,054,966	16,712,683	15,259,946	8,567,098	4,440,798	4,968,988	6,369,693	120,534,545
Supporting Services										
Management and general	<u>5,644,438</u>	<u>4,415,710</u>	<u>3,288,422</u>	<u>3,876,359</u>	<u>3,123,618</u>	<u>1,750,145</u>	<u>828,773</u>	<u>1,280,354</u>	<u>1,203,156</u>	<u>25,410,975</u>
Total Expenses	<u>34,525,017</u>	<u>22,695,504</u>	<u>20,343,388</u>	<u>20,589,042</u>	<u>18,383,564</u>	<u>10,317,243</u>	<u>5,269,571</u>	<u>6,249,342</u>	<u>7,572,849</u>	<u>145,945,520</u>
Surplus (Deficit) from Operations	<u>(1,921,993)</u>	<u>(2,047,876)</u>	<u>(1,241,034)</u>	<u>3,871,601</u>	<u>1,823,136</u>	<u>(533,179)</u>	<u>(2,354,941)</u>	<u>170,460</u>	<u>(501,492)</u>	<u>(2,735,318)</u>
SUPPORT AND OTHER REVENUE										
Contributions from related party	835,996	517,163	490,004	597,342	471,641	231,848	63,094	142,916	149,996	3,500,000
Contributions and private grants	48,450	26,600	26,000	33,816	26,200	14,000	5,200	9,400	11,400	201,066
Rental income	68,831	-	-	-	-	-	-	-	-	68,831
Interest and other revenue	126,549	78,643	76,534	90,423	66,093	40,012	19,422	21,714	24,829	544,219
Gain on transfer of lease to related party	<u>663,718</u>	<u>1,445,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,108,983</u>
Total Support and Other Revenue	<u>1,743,544</u>	<u>2,067,671</u>	<u>592,538</u>	<u>721,581</u>	<u>563,934</u>	<u>285,860</u>	<u>87,716</u>	<u>174,030</u>	<u>186,225</u>	<u>6,423,099</u>
Change in Net Assets	(178,449)	19,795	(648,496)	4,593,182	2,387,070	(247,319)	(2,267,225)	344,490	(315,267)	3,687,781
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTION										
Beginning of year	<u>3,252,320</u>	<u>7,617,077</u>	<u>4,306,492</u>	<u>6,834,863</u>	<u>2,555,095</u>	<u>(2,002,235)</u>	<u>(5,168,904)</u>	<u>(2,179,055)</u>	<u>(4,982,658)</u>	<u>10,232,995</u>
End of year	<u>\$ 3,073,871</u>	<u>\$ 7,636,872</u>	<u>\$ 3,657,996</u>	<u>\$ 11,428,045</u>	<u>\$ 4,942,165</u>	<u>\$ (2,249,554)</u>	<u>\$ (7,436,129)</u>	<u>\$ (1,834,565)</u>	<u>\$ (5,297,925)</u>	<u>\$ 13,920,776</u>

Ascend Charter Schools

Schedule of Functional Expenses
Brooklyn Ascend Charter School
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	34	\$ 1,772,759	\$ 165,786	\$ 1,938,545	\$ 1,440,711	\$ 3,379,256
Instructional personnel	124	10,883,454	903,938	11,787,392	-	11,787,392
Non-instructional personnel	3	-	-	-	180,593	180,593
Total Personnel Services Costs	<u>161</u>	<u>12,656,213</u>	<u>1,069,724</u>	<u>13,725,937</u>	<u>1,621,304</u>	<u>15,347,241</u>
Employee benefits and payroll taxes		2,341,024	215,171	2,556,195	326,119	2,882,314
Professional fees		48,556	12,637	61,193	169,850	231,043
Management fees		1,357,032	196,615	1,553,647	2,235,735	3,789,382
Consultants - education		1,007,963	16,194	1,024,157	-	1,024,157
Curriculum and classroom supplies		1,011,541	118,060	1,129,601	-	1,129,601
Office supplies		-	-	-	162,239	162,239
Non-capitalized furniture and equipment		48,440	4,530	52,970	6,866	59,836
Leased equipment, furniture and fixtures		151,935	14,209	166,144	21,535	187,679
Communications		964,985	89,977	1,054,962	136,372	1,191,334
Occupancy		4,499,531	420,791	4,920,322	637,762	5,558,084
Insurance		155,013	14,581	169,594	21,739	191,333
Repairs and maintenance		622,717	58,236	680,953	88,264	769,217
Security		541	51	592	77	669
Marketing and recruiting		65,662	6,502	72,164	8,309	80,473
Staff development		264,174	14,080	278,254	19,228	297,482
Travel and meals		82,908	7,803	90,711	11,614	102,325
Postage, printing and copying		6,644	621	7,265	942	8,207
Dues and subscriptions		157,249	14,706	171,955	22,288	194,243
Depreciation and amortization		1,029,937	96,318	1,126,255	145,983	1,272,238
Interest		34,483	3,225	37,708	4,888	42,596
Miscellaneous		-	-	-	3,324	3,324
Total Expenses		<u>\$ 26,506,548</u>	<u>\$ 2,374,031</u>	<u>\$ 28,880,579</u>	<u>\$ 5,644,438</u>	<u>\$ 34,525,017</u>

Ascend Charter Schools

Schedule of Functional Expenses Brownsville Ascend Charter School Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	20	\$ 840,244	\$ 266,736	\$ 1,106,980	\$ 1,106,515	\$ 2,213,495
Instructional personnel	86	5,216,055	1,314,309	6,530,364	-	6,530,364
Non-instructional personnel	7	-	-	-	87,800	87,800
Total Personnel Services Costs	113	6,056,299	1,581,045	7,637,344	1,194,315	8,831,659
Employee benefits and payroll taxes		1,199,920	365,200	1,565,120	275,871	1,840,991
Professional fees		38,491	10,556	49,047	166,099	215,146
Management fees		820,199	157,713	977,912	1,407,240	2,385,152
Consultants - education		458,617	3,902	462,519	-	462,519
Curriculum and classroom supplies		416,342	70,334	486,676	-	486,676
Office supplies		-	-	-	85,464	85,464
Non-capitalized furniture and equipment		44,256	14,049	58,305	10,613	68,918
Leased equipment, furniture and fixtures		88,004	27,937	115,941	21,104	137,045
Communications		403,664	127,478	531,142	96,296	627,438
Occupancy		3,857,875	1,224,684	5,082,559	925,122	6,007,681
Insurance		85,493	27,096	112,589	20,417	133,006
Repairs and maintenance		72,343	22,965	95,308	17,348	112,656
Security		612	194	806	147	953
Marketing and recruiting		38,051	11,586	49,637	8,179	57,816
Staff development		82,505	20,633	103,138	14,319	117,457
Travel and meals		75,091	23,751	98,842	17,842	116,684
Postage, printing and copying		6,968	2,212	9,180	1,671	10,851
Dues and subscriptions		80,230	25,469	105,699	19,239	124,938
Depreciation and amortization		500,633	158,926	659,559	120,052	779,611
Interest		59,563	18,908	78,471	14,283	92,754
Miscellaneous		-	-	-	89	89
Total Expenses		\$ 14,385,156	\$ 3,894,638	\$ 18,279,794	\$ 4,415,710	\$ 22,695,504

Ascend Charter Schools

Schedule of Functional Expenses
Bushwick Ascend Charter School
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	16	\$ 689,986	\$ 180,978	\$ 870,964	\$ 884,079	\$ 1,755,043
Instructional personnel	82	6,130,839	1,350,743	7,481,582	-	7,481,582
Non-instructional personnel	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	8,536	8,536
Total Personnel Services Costs	<u>100</u>	6,820,825	1,531,721	8,352,546	892,615	9,245,161
Employee benefits and payroll taxes		1,316,399	334,542	1,650,941	194,955	1,845,896
Professional fees		22,229	6,551	28,780	148,151	176,931
Management fees		773,129	137,114	910,243	1,309,862	2,220,105
Consultants - education		342,520	-	342,520	-	342,520
Curriculum and classroom supplies		342,756	50,588	393,344	-	393,344
Office supplies		-	-	-	100,059	100,059
Non-capitalized furniture and equipment		44,908	11,779	56,687	6,864	63,551
Leased equipment, furniture and fixtures		84,595	22,189	106,784	12,931	119,715
Communications		471,151	123,009	594,160	71,684	665,844
Occupancy		2,920,097	765,920	3,686,017	446,342	4,132,359
Insurance		76,577	20,058	96,635	11,656	108,291
Repairs and maintenance		101,839	26,712	128,551	15,566	144,117
Security		272	71	343	42	385
Marketing and recruiting		27,417	6,864	34,281	3,602	37,883
Staff development		152,463	19,073	171,536	12,368	183,904
Travel and meals		33,333	8,701	42,034	5,019	47,053
Postage, printing and copying		3,623	950	4,573	554	5,127
Dues and subscriptions		97,528	25,581	123,109	14,907	138,016
Depreciation and amortization		262,920	68,962	331,882	40,188	372,070
Miscellaneous		<u>-</u>	<u>-</u>	<u>-</u>	1,057	1,057
Total Expenses		<u>\$ 13,894,581</u>	<u>\$ 3,160,385</u>	<u>\$ 17,054,966</u>	<u>\$ 3,288,422</u>	<u>\$ 20,343,388</u>

Ascend Charter Schools

Schedule of Functional Expenses Canarsie Ascend Charter School Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	16	\$ 886,832	\$ 116,143	\$ 1,002,975	\$ 851,267	\$ 1,854,242
Instructional personnel	72	5,744,153	593,163	6,337,316	-	6,337,316
Non-instructional personnel	5	-	-	-	35,372	35,372
Total Personnel Services Costs	<u>93</u>	<u>6,630,985</u>	<u>709,306</u>	<u>7,340,291</u>	<u>886,639</u>	<u>8,226,930</u>
Employee benefits and payroll taxes		1,283,190	158,595	1,441,785	198,245	1,640,030
Professional fees		103,189	12,535	115,724	204,321	320,045
Management fees		1,046,788	111,291	1,158,079	1,666,503	2,824,582
Consultants - education		894,108	-	894,108	-	894,108
Legal fees		-	-	-	1,304	1,304
Curriculum and classroom supplies		527,546	55,559	583,105	-	583,105
Office supplies		-	-	-	168,920	168,920
Non-capitalized furniture and equipment		47,245	6,187	53,432	7,734	61,166
Leased equipment, furniture and fixtures		88,623	11,606	100,229	14,508	114,737
Communications		618,747	80,792	699,539	100,991	800,530
Occupancy		2,932,309	384,026	3,316,335	480,036	3,796,371
Insurance		96,450	12,623	109,073	15,734	124,807
Repairs and maintenance		99,255	12,999	112,254	16,249	128,503
Marketing and recruiting		25,513	3,242	28,755	3,518	32,273
Staff development		81,411	9,101	90,512	13,280	103,792
Travel and meals		74,812	9,784	84,596	12,157	96,753
Postage, printing and copying		29,579	3,874	33,453	4,842	38,295
Dues and subscriptions		99,532	13,035	112,567	16,294	128,861
Depreciation and amortization		388,028	50,818	438,846	63,522	502,368
Miscellaneous		-	-	-	1,562	1,562
Total Expenses		<u>\$ 15,067,310</u>	<u>\$ 1,645,373</u>	<u>\$ 16,712,683</u>	<u>\$ 3,876,359</u>	<u>\$ 20,589,042</u>

See independent auditors' report

Ascend Charter Schools

Schedule of Functional Expenses Central Brooklyn Ascend Charter School Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	16	\$ 743,264	\$ 108,345	\$ 851,609	\$ 707,048	\$ 1,558,657
Instructional personnel	69	5,302,698	674,846	5,977,544	-	5,977,544
Non-instructional personnel	2	-	-	-	21,246	21,246
Total Personnel Services Costs	87	6,045,962	783,191	6,829,153	728,294	7,557,447
Employee benefits and payroll taxes		1,231,554	176,243	1,407,797	163,890	1,571,687
Professional fees		72,749	12,154	84,903	255,304	340,207
Management fees		840,436	120,088	960,524	1,382,216	2,342,740
Consultants - education		945,383	379	945,762	-	945,762
Curriculum and classroom supplies		564,398	74,074	638,472	-	638,472
Office supplies		-	-	-	77,382	77,382
Non-capitalized furniture and equipment		39,887	5,814	45,701	5,407	51,108
Leased equipment, furniture and fixtures		91,274	13,305	104,579	12,372	116,951
Communications		494,011	71,771	565,782	66,740	632,522
Occupancy		2,511,516	366,101	2,877,617	340,440	3,218,057
Insurance		75,458	10,999	86,457	10,191	96,648
Repairs and maintenance		22,599	3,294	25,893	3,063	28,956
Marketing and recruiting		33,348	4,851	38,199	4,033	42,232
Staff development		154,621	11,706	166,327	16,740	183,067
Travel and meals		69,960	10,186	80,146	8,918	89,064
Postage, printing and copying		5,884	858	6,742	798	7,540
Dues and subscriptions		80,864	11,787	92,651	10,961	103,612
Depreciation and amortization		264,662	38,579	303,241	35,875	339,116
Miscellaneous		-	-	-	994	994
Total Expenses		\$ 13,544,566	\$ 1,715,380	\$ 15,259,946	\$ 3,123,618	\$ 18,383,564

Ascend Charter Schools

Schedule of Functional Expenses
Cypress Hills Ascend Charter School
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	8	\$ 470,905	\$ 150,004	\$ 620,909	\$ 554,889	\$ 1,175,798
Instructional personnel	38	2,865,440	815,816	3,681,256	-	3,681,256
Non-instructional personnel	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	3,573	3,573
Total Personnel Services Costs	<u>47</u>	3,336,345	965,820	4,302,165	558,462	4,860,627
Employee benefits and payroll taxes		665,049	207,046	872,095	119,719	991,814
Professional fees		229,550	39,067	268,617	37,162	305,779
Management fees		412,707	68,550	481,257	692,540	1,173,797
Consultants - education		85,249	18,206	103,455	-	103,455
Curriculum and classroom supplies		200,277	27,830	228,107	-	228,107
Office supplies		-	-	-	35,414	35,414
Non-capitalized furniture and equipment		8,045	2,563	10,608	1,482	12,090
Leased equipment, furniture and fixtures		36,598	11,658	48,256	6,741	54,997
Communications		210,558	66,877	277,435	38,670	316,105
Occupancy		1,095,161	348,858	1,444,019	201,719	1,645,738
Insurance		37,352	11,879	49,231	6,857	56,088
Repairs and maintenance		7,133	2,272	9,405	1,314	10,719
Marketing and recruiting		17,584	5,250	22,834	2,814	25,648
Staff development		145,875	11,794	157,669	6,293	163,962
Travel and meals		17,092	5,400	22,492	3,094	25,586
Postage, printing and copying		1,247	397	1,644	230	1,874
Dues and subscriptions		61,974	19,741	81,715	11,415	93,130
Depreciation and amortization		141,136	44,958	186,094	25,996	212,090
Miscellaneous		<u>-</u>	<u>-</u>	<u>-</u>	223	223
Total Expenses		<u>\$ 6,708,932</u>	<u>\$ 1,858,166</u>	<u>\$ 8,567,098</u>	<u>\$ 1,750,145</u>	<u>\$ 10,317,243</u>

Ascend Charter Schools

Schedule of Functional Expenses
East Brooklyn Ascend Charter School
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	3	\$ 291,602	\$ 20,168	\$ 311,770	\$ 195,983	\$ 507,753
Instructional personnel	6	1,058,645	64,834	1,123,479	-	1,123,479
Non-instructional personnel	1	-	-	-	6,382	6,382
Total Personnel Services Costs	<u>10</u>	<u>1,350,247</u>	<u>85,002</u>	<u>1,435,249</u>	<u>202,365</u>	<u>1,637,614</u>
Employee benefits and payroll taxes		242,043	16,506	258,549	39,297	297,846
Professional fees		7,285	1,663	8,948	16,928	25,876
Management fees		113,821	24,813	138,634	199,498	338,132
Consultants - education		54,044	-	54,044	-	54,044
Curriculum and classroom supplies		164,860	35,431	200,291	-	200,291
Office supplies		-	-	-	13,821	13,821
Non-capitalized furniture and equipment		1,582	109	1,691	261	1,952
Leased equipment, furniture and fixtures		17,272	1,195	18,467	2,844	21,311
Communications		120,088	8,288	128,376	19,731	148,107
Occupancy		1,817,271	125,690	1,942,961	299,231	2,242,192
Insurance		18,004	2,028	20,032	2,099	22,131
Repairs and maintenance		9,507	658	10,165	1,565	11,730
Marketing and recruiting		7,178	651	7,829	1,011	8,840
Staff development		34,780	1,913	36,693	2,598	39,291
Travel and meals		10,531	747	11,278	1,714	12,992
Postage, printing and copying		766	53	819	126	945
Dues and subscriptions		17,605	1,218	18,823	2,899	21,722
Depreciation and amortization		<u>138,378</u>	<u>9,571</u>	<u>147,949</u>	<u>22,785</u>	<u>170,734</u>
Total Expenses		<u>\$ 4,125,262</u>	<u>\$ 315,536</u>	<u>\$ 4,440,798</u>	<u>\$ 828,773</u>	<u>\$ 5,269,571</u>

Ascend Charter Schools

Schedule of Functional Expenses
East Flatbush Ascend Charter School
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	7	\$ 263,394	\$ 59,259	\$ 322,653	\$ 373,879	\$ 696,532
Instructional personnel	20	1,576,461	296,429	1,872,890	-	1,872,890
Non-instructional personnel	-	-	-	-	2,823	2,823
Total Personnel Services Costs	<u>27</u>	<u>1,839,855</u>	<u>355,688</u>	<u>2,195,543</u>	<u>376,702</u>	<u>2,572,245</u>
Employee benefits and payroll taxes		311,075	67,670	378,745	71,667	450,412
Professional fees		18,204	3,102	21,306	20,301	41,607
Management fees		274,003	38,604	312,607	449,848	762,455
Consultants - education		130,571	-	130,571	-	130,571
Curriculum and classroom supplies		169,144	22,604	191,748	-	191,748
Office supplies		-	-	-	24,854	24,854
Non-capitalized furniture and equipment		12,250	2,756	15,006	2,919	17,925
Leased equipment, furniture and fixtures		19,845	4,465	24,310	4,729	29,039
Communications		169,087	37,957	207,044	40,199	247,243
Occupancy		990,756	222,902	1,213,658	236,071	1,449,729
Insurance		22,935	5,153	28,088	5,444	33,532
Repairs and maintenance		37,490	8,435	45,925	8,933	54,858
Marketing and recruiting		8,316	1,770	10,086	1,694	11,780
Staff development		31,717	4,989	36,706	6,271	42,977
Travel and meals		9,139	2,043	11,182	2,141	13,323
Postage, printing and copying		928	209	1,137	221	1,358
Dues and subscriptions		17,885	4,024	21,909	4,262	26,171
Depreciation and amortization		100,750	22,667	123,417	24,006	147,423
Miscellaneous		-	-	-	92	92
Total Expenses		<u>\$ 4,163,950</u>	<u>\$ 805,038</u>	<u>\$ 4,968,988</u>	<u>\$ 1,280,354</u>	<u>\$ 6,249,342</u>

Ascend Charter Schools

Schedule of Functional Expenses
Flatbush Ascend Charter School
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	5	\$ 192,142	\$ 63,112	\$ 255,254	\$ 255,310	\$ 510,564
Instructional personnel	24	1,651,591	456,653	2,108,244	-	2,108,244
Non-instructional personnel	1	-	-	-	11,422	11,422
Total Personnel Services Costs	<u>30</u>	<u>1,843,733</u>	<u>519,765</u>	<u>2,363,498</u>	<u>266,732</u>	<u>2,630,230</u>
Employee benefits and payroll taxes		333,331	107,282	440,613	55,054	495,667
Professional fees		276,859	51,540	328,399	44,860	373,259
Management fees		274,170	50,347	324,517	466,988	791,505
Consultants - education		158,989	129	159,118	-	159,118
Curriculum and classroom supplies		228,631	40,217	268,848	-	268,848
Office supplies		-	-	-	48,059	48,059
Non-capitalized furniture and equipment		8,725	2,866	11,591	1,471	13,062
Leased equipment, furniture and fixtures		19,923	6,544	26,467	3,358	29,825
Communications		131,472	43,062	174,534	22,098	196,632
Occupancy		1,404,398	461,298	1,865,696	236,728	2,102,424
Insurance		22,854	7,495	30,349	3,838	34,187
Repairs and maintenance		64,461	21,173	85,634	10,866	96,500
Marketing and recruiting		6,657	2,007	8,664	913	9,577
Staff development		25,418	6,390	31,808	10,546	42,354
Travel and meals		20,949	6,813	27,762	3,452	31,214
Postage, printing and copying		2,333	766	3,099	393	3,492
Dues and subscriptions		23,088	7,584	30,672	3,892	34,564
Depreciation and amortization		<u>141,836</u>	<u>46,588</u>	<u>188,424</u>	<u>23,908</u>	<u>212,332</u>
Total Expenses		<u>\$ 4,987,827</u>	<u>\$ 1,381,866</u>	<u>\$ 6,369,693</u>	<u>\$ 1,203,156</u>	<u>\$ 7,572,849</u>

Uniform Guidance
Schedules and Reports

June 30, 2023

Ascend Charter Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-23-4395	\$ -	\$ 661,857
Title I Grants to Local Educational Agencies	84.010	0021-23-4585	-	429,620
Title I Grants to Local Educational Agencies	84.010	0021-23-4780	-	383,740
Title I Grants to Local Educational Agencies	84.010	0021-23-4965	-	471,472
Title I Grants to Local Educational Agencies	84.010	0021-23-5170	-	353,090
Title I Grants to Local Educational Agencies	84.010	0021-23-5430	-	182,185
Title I Grants to Local Educational Agencies	84.010	0021-23-5565	-	55,063
Title I Grants to Local Educational Agencies	84.010	0021-23-5555	-	109,050
Title I Grants to Local Educational Agencies	84.010	0021-23-5570	-	116,833
			-	2,762,910
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4395	-	80,746
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4585	-	52,219
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4780	-	43,556
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4965	-	57,568
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5170	-	43,388
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5430	-	22,308
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5565	-	6,690
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5555	-	13,365
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5570	-	14,244
			-	334,084
Student Support and Academic Enrichment Program	84.424	0204-23-4395	-	47,485
Student Support and Academic Enrichment Program	84.424	0204-23-4585	-	32,452
Student Support and Academic Enrichment Program	84.424	0204-23-4780	-	30,678
Student Support and Academic Enrichment Program	84.424	0204-23-4965	-	28,541
Student Support and Academic Enrichment Program	84.424	0204-23-5170	-	21,475
Student Support and Academic Enrichment Program	84.424	0204-23-5430	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-23-5565	-	10,000
Student Support and Academic Enrichment Program	85.424	0204-23-5555	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-23-5570	-	10,000
			-	200,631

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

Ascend Charter Schools

Schedule of Expenditures of Federal Awards (continued) Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education (continued)				
Pass-Through New York State Education Department: (continued)				
English Language Acquisition State Grants	84.365	0293-23-4780	\$ -	\$ 25,482
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4395	-	1,881,679
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4585	-	1,380,662
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4780	-	1,434,347
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4965	-	1,214,267
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5170	-	1,085,207
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5430	-	403,785
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5565	-	165,462
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5555	-	239,472
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5570	-	257,277
			-	8,062,158
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4395	-	684,972
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4585	-	228,897
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4780	-	54,982
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4965	-	968,807
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5170	-	665,145
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5430	-	134,550
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5565	-	30,645
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5555	-	168,729
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5570	-	179,630
			-	3,116,357
Total U.S. Department of Education			-	14,501,622
Department of Homeland Security				
Pass-Through New York State Homeland Security and Emergency Services:				
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036	4480-DR-NY	-	19,226
Total Expenditures of Federal Awards			\$ -	\$ 14,520,848

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

Ascend Charter Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Ascend Charter Schools (the "School"), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

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

Independent Auditors' Report

**Board of Trustees
Ascend Charter Schools**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ascend Charter Schools (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The School's Response to Finding

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
November 28, 2023

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

Independent Auditors' Report

**Board of Trustees
Ascend Charter Schools**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ascend Charter Schools (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

PKF O'Connor Davies, LLP

Harrison, New York
November 28, 2023

Ascend Charter Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

X yes _____ no

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425D

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

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

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Ascend Charter Schools

Schedule of Findings and Questioned Costs (*continued*) Year Ended June 30, 2023

Section II – Financial Statement Findings

2023-001- General Ledger Maintenance and Account Analysis (*repeat finding 2022-001*)

Criteria

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

Condition

Although management has made significant improvements in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting during the 2023 audit, account analysis schedules for revenue and payroll were not fully reconciled before the start of the audit. We also noted that improvements are needed in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting.

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

See management corrective action plan in Appendix A.

Section III – Federal Award Findings and Questioned Costs

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

November 28, 2023

2023-001- General Ledger Maintenance and Account Analysis

To Whom it may concern:

In FY22 and FY23 Ascend saw continued transition within the finance team however within the year made significant progress in improving the accounting process.

Many of the areas of weaknesses identified last year were improved during the course of FY23; however due to turnover in key positions certain account analyses were not complete before the FY23 audit began. This year to mitigate any future challenges we have done the following to address any internal weaknesses:

1. Created a comprehensive monthly close checklist that the entire finance team will own
2. Clarified roles and responsibilities for existing and new staff
3. Expanded the financial, planning, and analysis team by 1 FTE to provide additional oversight in school activity and identify problems areas well in advance
4. Added capacity to the accounting team to support month-end activity, schedules, and balance sheet reconciliations and hired and onboarded a new Controller. This additional capacity will ensure that important audit schedules are reconciled monthly and where applicable quarterly.

Everything outlined above will allow the Ascend Learning finance team to report up-to-date financial information to internal and external stakeholders. Additionally, it will better prepare us for the FY24 audit.

The newly hired Controller Ahmed Saleh is responsible for corrective action. The anticipated completion date for the corrective action is June 30th, 2024.

Thank you,



Roberto Carlos Zayas
Interim Chief Financial Officer

205 Rockaway Parkway
Brooklyn, NY 11212

Tel: 347-464-7600

ascendlearning.org

Ascend Charter Schools

November 28, 2023

To Whom it may concern:

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS [Year Ended June 30, 2023]:

2022-001- General Ledger Maintenance and Account Analysis

Condition

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

Recommendation

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

Status

Partial of the condition still exists at June 30, 2023 as mentioned in **2023-001**



Ascend Charter Schools

Independent Auditors' Report on Communication of Internal Control Matters

June 30, 2023

Independent Auditors' Communication on Internal Control Matters

The Board of Trustees Ascend Charter Schools

In planning and performing our audit of the financial statements of Ascend Charter Schools (the "School") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the School's internal control presented in Addendum A to be a significant deficiency.

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

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

PKF O'Connor Davies, LLP

Harrison, New York
November 28, 2023

Addendum A

Deficiencies in Internal Control that We Consider to be Significant Deficiencies

1. Financial Statement Closing Process and Increase in Financial Resources (*repeat finding*)

Although we noted that management has made significant improvements in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting during the 2023 audit, we noted that account analysis schedules for revenue and payroll were not fully reconciled before the start of the audit. We also noted that improvements are needed in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting.

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