

PUBLIC PREP CHARTER SCHOOL ACADEMIES

BRONX, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023

(With Comparative Totals for 2022)



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Public Prep Charter School Academies

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Public Prep Charter School Academies (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note A to the consolidated financial statements, during the year ended June 30, 2023, the entity adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited Public Prep Charter School Academies' consolidated financial statements as of and for the year ended June 30, 2022, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023 on our consideration of Public Prep Charter School Academies' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Prep Charter School Academies' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
November 15, 2023

PUBLIC PREP CHARTER SCHOOL ACADEMIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023
(With Comparative Totals for 2022)

<u>ASSETS</u>	June 30,	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 8,744,642	\$ 18,660,948
Certificates of deposit	6,254,989	-
Grants and contracts receivable	7,584,202	3,506,391
Property tax refund receivable	950,280	950,280
Prepaid expenses and other current assets	555,063	715,189
TOTAL CURRENT ASSETS	<u>24,089,176</u>	<u>23,832,808</u>
<u>OTHER ASSETS</u>		
Property and equipment, net	13,039,586	11,903,211
Related party receivables, net	255,898	30,174
Right-of-use assets - finance	903,962	-
Right-of-use assets - operating	55,642,280	-
Security deposits	534,015	534,015
Cash in escrow	119	200,416
Restricted cash	1,250,000	625,000
	<u>71,625,860</u>	<u>13,292,816</u>
TOTAL ASSETS	<u>\$ 95,715,036</u>	<u>\$ 37,125,624</u>

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

<u>LIABILITIES AND NET ASSETS</u>	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 3,039,443	\$ 1,686,455
Accrued payroll and benefits	2,623,099	2,371,998
Deferred revenue	81,234	475,438
Current portion of deferred lease incentive	-	13,399
Current portion of long-term debt	144,771	139,520
Current portion of lease liabilities - finance	258,947	142,091
Current portion of lease liabilities - operating	<u>755,902</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	6,903,396	4,828,901
<u>LONG-TERM LIABILITIES</u>		
Long-term debt, net of unamortized debt issuance costs of \$386,614 and \$400,889 at June 30, 2023 and 2022, respectively	6,115,989	6,246,964
Deferred lease liability	-	2,627,815
Long-term lease liabilities - finance	609,124	15,986
Long-term lease liabilities - operating	<u>58,025,002</u>	<u>-</u>
TOTAL LIABILITIES	71,653,511	13,719,666
<u>NET ASSETS</u>		
Without donor restrictions	24,058,683	23,403,116
With donor restrictions	<u>2,842</u>	<u>2,842</u>
TOTAL NET ASSETS	<u>24,061,525</u>	<u>23,405,958</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 95,715,036</u>	<u>\$ 37,125,624</u>

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Year ended June 30,			
	2023			2022
	Without donor restrictions	With donor restrictions	Total	Total
Revenue, gains and other support:				
Public school district:				
Resident student enrollment	\$ 32,229,532	\$ -	\$ 32,229,532	\$ 33,881,548
Students with disabilities	4,654,199	-	4,654,199	5,131,322
Grants and contracts:				
State and local	1,170,718	-	1,170,718	831,801
Federal - Title and IDEA	1,930,872	-	1,930,872	1,937,826
Federal - other	6,272,751	-	6,272,751	5,634,033
NYC DOE rental assistance	4,527,508	-	4,527,508	4,481,485
Contributions - nonfinancial assets, in-kind rent	5,045,999	-	5,045,999	5,481,411
Food Service/Child Nutrition Program	970,491	-	970,491	889,214
TOTAL REVENUE, GAINS AND OTHER SUPPORT	56,802,070	-	56,802,070	58,268,640
Expenses:				
Program services:				
Regular education	38,325,801	-	38,325,801	37,832,046
Special education	13,088,560	-	13,088,560	10,005,211
Pre-K	1,921,689	-	1,921,689	1,541,683
Total program services	53,336,050	-	53,336,050	49,378,940
Management and general	4,243,528	-	4,243,528	6,001,784
Fundraising and special events	-	-	-	55,911
TOTAL OPERATING EXPENSES	57,579,578	-	57,579,578	55,436,635
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(777,508)	-	(777,508)	2,832,005
Support and other revenue:				
Contributions:				
Foundations	468,123	-	468,123	80,000
Individuals	50	-	50	1,000
Corporations	832,940	-	832,940	33,333
Interest income	12,105	-	12,105	87
Other income	109,783	-	109,783	137,996
Rental income	10,074	-	10,074	44,943
Property tax rebate	-	-	-	354,216
TOTAL SUPPORT AND OTHER REVENUE	1,433,075	-	1,433,075	651,575
CHANGE IN NET ASSETS	655,567	-	655,567	3,483,580
Net assets at beginning of year	23,403,116	2,842	23,405,958	19,922,378
NET ASSETS AT END OF YEAR	\$ 24,058,683	\$ 2,842	\$ 24,061,525	\$ 23,405,958

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	No. of Positions	Program Services				Supporting Services			Total	
		Regular Education	Special Education	Pre-K	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
									2023	2022
Personnel services costs:										
Administrative staff personnel	59	\$ 3,902,929	\$ 1,148,805	\$ 12,500	\$ 5,064,234	\$ 2,159,621	\$ -	\$ 2,159,621	\$ 7,223,855	\$ 5,673,218
Instructional personnel	273	12,844,677	4,974,348	967,670	18,786,695	-	-	-	18,786,695	18,990,824
Non-instructional personnel	1	56,435	21,009	-	77,444	-	-	-	77,444	104,207
Total personnel services costs	333	16,804,041	6,144,162	980,170	23,928,373	2,159,621	-	2,159,621	26,087,994	24,768,249
Fringe benefits and payroll taxes		3,187,868	1,169,813	221,432	4,579,113	409,683	-	409,683	4,988,796	4,997,549
Retirement		306,806	115,205	12,366	434,377	40,975	-	40,975	475,352	357,028
Management company fees		3,621,231	1,308,891	-	4,930,122	462,658	-	462,658	5,392,780	5,591,114
Legal services		194,412	78,431	146	272,989	41,513	-	41,513	314,502	156,096
Accounting / audit services		-	-	-	-	99,685	-	99,685	99,685	79,200
Other purchased / professional / consulting services		1,611,245	522,440	57,808	2,191,493	144,036	-	144,036	2,335,529	2,344,267
Building rent / lease / facility finance interest		2,990,117	771,548	117,774	3,879,439	4,946	-	4,946	3,884,385	3,309,078
In-kind rent		3,326,249	1,027,330	250,493	4,604,072	441,927	-	441,927	5,045,999	5,481,411
Repairs and maintenance		890,209	226,832	37,582	1,154,623	6,737	-	6,737	1,161,360	734,737
Insurance		212,452	77,770	19,110	309,332	27,290	-	27,290	336,622	303,816
Utilities		419,380	123,473	10,571	553,424	22,606	-	22,606	576,030	526,578
Supplies / materials		922,685	256,575	14,510	1,193,770	-	-	-	1,193,770	1,525,213
Equipment / furnishings		89,513	27,262	1,569	118,344	4,065	-	4,065	122,409	406,102
Staff development		347,693	126,729	42,171	516,593	45,014	-	45,014	561,607	521,475
Marketing / recruiting		362,269	105,675	22,188	490,132	28,683	-	28,683	518,815	25,201
Technology		479,649	141,498	24,351	645,498	2,285	-	2,285	647,783	403,552
Food service		669,653	225,242	48,397	943,292	-	-	-	943,292	887,765
Student services		214,866	65,874	150	280,890	-	-	-	280,890	562,215
Office expense		340,019	121,331	2,627	463,977	67,571	-	67,571	531,548	686,607
Depreciation and amortization		1,335,444	452,479	58,274	1,846,197	125,795	-	125,795	1,971,992	1,747,318
Other		-	-	-	-	108,438	-	108,438	108,438	22,064
		<u>\$ 38,325,801</u>	<u>\$ 13,088,560</u>	<u>\$ 1,921,689</u>	<u>\$ 53,336,050</u>	<u>\$ 4,243,528</u>	<u>\$ -</u>	<u>\$ 4,243,528</u>	<u>\$ 57,579,578</u>	<u>\$ 55,436,635</u>

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 655,567	\$ 3,483,580
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation and amortization	1,971,992	1,747,318
Amortization of debt issuance costs included in interest expense	14,275	14,275
Property and equipment purchased with ECF grant	(385,200)	-
Changes in certain assets and liabilities affecting operations:		
Grants and other contracts receivable	(4,077,811)	(1,594,915)
Property tax refund receivable	-	(950,280)
Prepaid expenses and other current assets	160,126	93,878
Related party receivables and payables	(225,724)	725,448
Security deposits	-	(31,690)
Accounts payable and accrued expenses	1,352,988	(16,401)
Accrued payroll and benefits	251,101	(1,396,598)
Operating lease liabilities, net of right-of-use assets	3,138,624	-
Deferred revenue	(394,204)	475,438
Deferred lease incentive	(13,399)	(26,004)
Deferred lease liability	(2,627,815)	590,202
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(179,480)	3,114,251
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(2,545,389)	(1,451,181)
Security deposit payable	-	(16,667)
Purchases of certificates of deposit	(6,254,989)	-
NET CASH USED FOR INVESTING ACTIVITIES	(8,800,378)	(1,467,848)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments on finance leases	(371,746)	-
Repayments of long-term debt	(139,999)	(305,863)
NET CASH USED FOR FINANCING ACTIVITIES	(511,745)	(305,863)
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(9,491,603)	1,340,540
Cash and restricted cash at beginning of year	19,486,364	18,145,824
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 9,994,761</u>	<u>\$ 19,486,364</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Year ended June 30,	
	2023	2022
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment in accounts payable	\$ -	\$ 95,478
Purchases of property and equipment through the ECF grant	\$ 385,200	\$ -
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Right-of-use assets obtained in exchange for finance lease liabilities	\$ 1,081,740	\$ -
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 207,850	\$ -
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	\$ 299,347	\$ 272,244
Reconciliation of cash and restricted cash reported within the consolidated statement of financial position that sum to the total amounts reported in the statement of cash flows:		
	June 30,	
	2023	2022
<u>CASH AND RESTRICTED CASH</u>		
Cash	\$ 8,744,642	\$ 18,660,948
Cash in escrow	119	200,416
Restricted cash	1,250,000	625,000
	\$ 9,994,761	\$ 19,486,364

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements include the accounts of Girls Preparatory Charter School of New York (“Girls Prep LES”), Boys Preparatory Charter School of New York (“Boys Prep”), Girls Preparatory Charter School of the Bronx (“Girls Prep Bronx”), Girls Preparatory Charter School of the Bronx II (“Girls Prep Bronx II”), PrePrep: the Joan Ganz Cooney Early Learning Program (“PrePrep”), PrePrep2 (“PrePrep2”), PrePrep3 (“PrePrep3”), collectively forming Public Prep Charter School Academies, and Friends of Public Prep Academies, Inc., formerly known as Friends of Girls Preparatory Charter School of New York, Inc. (“Friends”), (collectively referred to as the “Organization”). All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The Organization

Public Prep Charter School Academies is an education corporation that has authority to operate the Charter Schools as described below. Each of the Charter Schools were established to prepare underserved elementary and middle school students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations. Friends was organized under the laws of the State of New York as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation law. Girls Prep Bronx II, LLC was organized under the laws of the State of New York as a limited liability company under Section 203 of the Limited Liability Company Law as of October 18, 2021. The sole member of the limited liability company is Friends. See Note D.

Girls Prep LES operates in the borough of Manhattan, New York. On March 23, 2004, the Board of Regents of the University of the State of New York granted Girls Prep LES a provisional charter valid for a term of five years and renewable upon expiration. Girls Prep LES obtained a renewal through June 30, 2025. Effective for the 2023-24 school year, Girls Prep LES did not enroll any incoming kindergarten students, as the Charter School plans to close grades K-8 at the end of the 2023-24 school year.

Boys Prep operates in the borough of Bronx, New York. On December 14, 2010, the Board of Regents of the University of the State of New York granted Boys Prep a provisional charter valid for a term of five years and renewable upon expiration. Boys Prep obtained a renewal through July 31, 2024.

Girls Prep Bronx operates in the borough of Bronx, New York. On February 23, 2009, the Board of Regents of the University of the State of New York granted Girls Prep Bronx a provisional charter valid for a term of five years and renewable upon expiration. Girls Prep Bronx obtained a renewal through July 31, 2025.

On March 9, 2019, the Board of Regents of the University of the State of New York granted Girls Prep Bronx II a provisional charter valid for a term of five years through June 30, 2025, and renewable upon expiration. Girls Prep Bronx II opened for students in the Fall of 2020.

In December 2020, Girls Prep LES, Boys Prep, and Girls Prep Bronx each received approval from SUNY for a revision to their charters to create a joint high school program with another Charter School beginning in the 2022-23 school year. The high school opened beginning in the 2022-2023 school year. Public Prep Charter School Academies has contracted with Vertex Partnership Academies, Inc., a not-for-profit organization, to provide management and other administrative services for the high school. See Note M.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

PrePrep operates in the borough of Bronx, New York. The Organization obtained approval from the New York City Department of Education to open a Pre-K program. The contract authorized operation of a universal prekindergarten program for a term of three years through June 30, 2018 and was renewable for two years upon expiration. PrePrep obtained a renewal through June 30, 2024.

PrePrep2 operates in the borough of Bronx, New York. The Organization obtained approval from the New York City Department of Education to open a second Pre-K program. The contract authorizes operation of a universal prekindergarten program for a term of three years through June 30, 2021. PrePrep2 obtained a renewal through June 30, 2024.

PrePrep3 operates in the borough of Manhattan, New York. The Organization obtained approval from the New York City Department of Education to open a third Pre-K program. The contract authorizes operation of a universal prekindergarten program for a term of two years through June 30, 2021. PrePrep3 obtained a renewal through June 30, 2023. The program closed as of June 30, 2023.

Financial Statement presentation

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

These classes of net assets are defined as follows:

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Revenue recognition

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Public school district revenue

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

Universal Pre-Kindergarten (Pre-K)

Similar to public school district revenue, the Organization recognizes Pre-K revenue as educational programming is provided to students throughout the year. The maximum revenue amount is based on a contractually determined fixed amount per student and the number of students enrolled at a point in time. This amount could be further reduced if actual costs incurred in providing the Pre-K program are less than the maximum calculated amount of the contract. Amounts are paid in installments throughout the course of the year, with the final 5% paid upon submission of all required documentation at the end of the contract year. Revenue recognized from Pre-K programs totaled \$1,134,606 and \$1,392,357 for the years ended June 30, 2023 and 2022, respectively.

Rental assistance

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

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

	June 30,		
	2023	2022	2021
Grants and contracts receivable	\$ 216,124	\$ 107,030	\$ 110,050

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Contributions

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

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

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Grant revenue

Some of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying consolidated statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying consolidated statement of financial position. The amount reported as deferred revenue at June 30, 2023 and 2022 amounted to \$81,234 and \$475,438, respectively. The Organization received cost-reimbursement grants of \$5,173,162 and \$10,121,082 that had not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures had not yet been incurred.

Cash

Cash balances are maintained at certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Organization is required to maintain cash in escrow accounts for dissolution reserves in accordance with the terms of their charter agreements. The amount in escrow for dissolution as of June 30, 2023 and 2022 was \$119 and \$200,416, respectively. The escrow is restricted to fund legal and other costs related to the dissolution of the Organization, should dissolution become necessary. Due to a change in financial institution, funds were withdrawn from the escrow accounts as of June 30, 2023. The amounts were funded into the new escrow accounts in fiscal 2024.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Restricted cash

The Organization maintains cash in certificates of deposit for collateral in accordance with the terms of their standby letter of credit as required by the Girls Prep Bronx II, LLC lease agreement. The amount of the certificates of deposit as of June 30, 2023 and 2022 were \$1,250,000 and \$625,000, respectively, with interest rates from 1.29% to 3.25%. The cash is restricted as collateral for the standby letter of credit. See Note D.

Certificates of deposit

The Organization maintains its certificates of deposit with a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Organization's balance may exceed federally insured limits. The Organization has not experienced any losses in such account and does not believe it is exposed to any significant risk. The certificates of deposit mature at varying months between September 2023 and May 2024.

Grants and contracts receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2023 or 2022.

Property tax refund receivable

In connection with the lease agreement entered by Friends and subleased to Boys Prep as described in Note D, Friends was responsible for payment of property taxes in excess of a base level. During the year ended June 30, 2022, the landlord and Friends completed the process of forming a leasehold condominium and subsequently filing for tax-exempt status for the property. As a result, property taxes previously paid by Friends were refunded to the landlord by the taxing authority and are due to Friends under the terms of the lease. Friends does not anticipate incurring future property tax expense with respect to this lease.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to thirty five years. Leasehold improvements are amortized over the lesser of the lease term or useful life.

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

Deferred lease (liability) receivable

The Organization leases one of its facilities. The lease contains significant pre-determined fixed escalations of the base rent. In accordance with GAAP, the Organization recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease liability. The amount of additional rent expense recognized in excess of the amounts paid under the lease was \$590,202 for the year ended June 30, 2022. As described below, the deferred lease liability was eliminated upon adoption of ASC 842, effective July 1, 2022.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Leases

The Organization leases office space and equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the accompanying consolidated statement of financial position. Finance leases are included in finance lease right-of-use (ROU) assets, other current liabilities, and finance lease liabilities on the accompanying consolidated statement of financial position.

ROU assets represent the Organization's 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 liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also 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 Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term, and for finance leases, as amortization expense and interest expense.

Certain lease agreements include rental payments based on changes in the consumer price index (CPI). Lease liabilities are not remeasured as a result of changes in the CPI; instead, changes in the CPI are treated as variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized in the period in which the related obligation was incurred. The variable lease cost recognized and disclosed for those applicable leases was \$168,804 for the year ended June 30, 2023.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Tax exempt status

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

Public Prep Academies and Friends file Form 990 tax returns in the U.S. federal jurisdiction. In addition, Friends files in New York. The tax returns for the years ended June 30, 2020 through June 30, 2023 are still subject to potential audit by the IRS and NY. Management of the Organization believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Organization received transportation services, special education services and speech therapy instruction for the students from the local district. The Organization was unable to determine a value for these services.

Marketing and recruiting costs

The Organization expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$519,000 and \$25,000 for the years ended June 30, 2023 and 2022, respectively.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Adoption of new accounting standard - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization adopted ASC 842 with the date of initial application of July 1, 2022.

The Organization recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

As part of the adoption of ASC 842, the Organization elected practical expedients to account for the existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance; or (c) 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, the Organization recognized on July 1, 2022 a lease liability at the carrying amount of the capital lease obligations on June 30, 2022 of \$325,301 and a right-of-use asset at the carrying amount of the capital lease asset of \$325,301. The Organization also recognized on July 1, 2022 a lease liability of \$59,373,256, which represents the present value of the remaining operating lease payments of \$95,978,266, discounted using the Organization's risk-free rate ranging from 2.85% to 3.11%, and a right-of-use asset of \$56,745,441, which represents the operating lease liability of \$59,373,256 adjusted for the deferred lease liability of \$2,627,815.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

The standard had a material impact on the accompanying consolidated statement of financial position but did not have an impact on the consolidated statement of activities, nor consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Organization's accounting for finance leases (formerly known as capital leases) remained substantially unchanged.

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the consolidated statement of financial position date through November 15, 2023, which is the date the consolidated financial statements are available to be issued. See Note D.

NOTE B: RELATED PARTY TRANSACTIONS

The Organization has related party receivables from and payables to one related organization, Public Preparatory Network, Inc. (PPN). PPN, a not-for-profit organization, provides management and other administrative support services to the Organization. For the years ended June 30, 2023 and 2022, the Organization paid an annual service fee of 15% of the year end student enrollment full time equivalents multiplied by the approved per pupil reimbursement rate for the school year for general education and special education funding. The term of the agreement renews annually unless terminated by either party with at least six months' notice. The fee incurred for the years ended June 30, 2023 and 2022 was \$5,141,876 and \$5,591,114, respectively.

The Organization also leased space in one of its facilities to PPN, see Note D for further details.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Amounts due (to) from these related parties have no set repayment terms and as of June 30, 2023 were as follows:

	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	Girls Preparatory Charter School of the Bronx II	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	PrePrep 3	Friends of Public Prep Academies	Eliminations	Total
Due from (to) Public Preparatory Network, Inc.	\$ 736,010	\$ (75,219)	\$ (529,099)	\$ 178,297	\$ (31,396)	\$ (10,964)	\$ (4,981)	\$ (6,750)	\$ -	\$ 255,898
Due from (to) Girls Preparatory Charter School of New York	-	3,688,091	1,988,773	(2,886,164)	(429,009)	768,864	(78,711)	(3,475,580)	423,736	-
Due from (to) Boys Preparatory Charter School of New York	(3,688,091)	-	2,533,566	(13,974)	(4,201)	(479,059)	-	(5,062,785)	6,714,544	-
Due from (to) Girls Preparatory Charter School of the Bronx	(1,988,773)	(2,533,566)	-	(196,921)	(429,784)	131,362	21,826	3,600	4,992,256	-
Due from (to) Girls Preparatory Charter School of the Bronx II	2,886,164	13,974	196,921	-	(344)	(98,085)	(131)	(310,260)	(2,688,239)	-
Due from (to) PrePrep: the Joan Ganz Cooney Early Learning Program	429,009	4,201	429,784	344	-	(242,696)	-	-	(620,642)	-
Due from (to) PrePrep 2	(768,864)	479,059	(131,362)	98,085	242,696	-	-	107,000	(26,614)	-
Due from (to) PrePrep 3	78,711	-	(21,826)	131	-	-	-	-	(57,016)	-
Due from (to) Friends of Public Prep Academies, Inc.	<u>3,475,580</u>	<u>5,062,785</u>	<u>(3,600)</u>	<u>310,260</u>	<u>-</u>	<u>(107,000)</u>	<u>-</u>	<u>-</u>	<u>(8,738,025)</u>	<u>-</u>
	<u>\$ 1,159,746</u>	<u>\$ 6,639,325</u>	<u>\$ 4,463,157</u>	<u>\$ (2,509,942)</u>	<u>\$ (652,038)</u>	<u>\$ (37,578)</u>	<u>\$ (61,997)</u>	<u>\$ (8,744,775)</u>	<u>\$ -</u>	<u>\$ 255,898</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Amounts due (to) from these related parties have no set repayment terms and as of June 30, 2022 were as follows:

	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	Girls Preparatory Charter School of the Bronx II	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	PrePrep 3	Friends of Public Prep Academies	Eliminations	Total
Due from (to) Public Preparatory Network, Inc.	\$ (100,453)	\$ 75,878	\$ (25,953)	\$ 82,840	\$ (9,477)	\$ (791)	\$ (120)	\$ 8,250	\$ -	\$ 30,174
Due from (to) Girls Preparatory Charter School of New York	-	(4,576,399)	403,550	(1,742,628)	106,884	842,190	(35,204)	(1,614,490)	6,616,097	-
Due from (to) Boys Preparatory Charter School of New York	4,576,399	-	2,344,601	(6,585)	(365)	(692,253)	-	(6,193,494)	(28,303)	-
Due from (to) Girls Preparatory Charter School of the Bronx	(403,550)	(2,344,601)	-	(183,676)	(414,790)	130,416	21,826	(100)	3,194,475	-
Due from (to) Girls Preparatory Charter School of the Bronx II	1,742,628	6,585	183,676	-	(344)	(97,472)	(131)	30,497	(1,865,439)	-
Due from (to) PrePrep: the Joan Ganz Cooney Early Learning Program	(106,884)	365	414,790	344	-	(5,919)	-	-	(302,696)	-
Due from (to) PrePrep 2	(842,190)	692,253	(130,416)	97,472	5,919	-	-	107,000	69,962	-
Due from (to) PrePrep 3	35,204	-	(21,826)	131	-	-	-	-	(13,509)	-
Due from (to) Friends of Public Prep Academies, Inc.	<u>1,614,490</u>	<u>6,193,494</u>	<u>100</u>	<u>(30,497)</u>	<u>-</u>	<u>(107,000)</u>	<u>-</u>	<u>-</u>	<u>(7,670,587)</u>	<u>-</u>
	<u>\$ 6,515,644</u>	<u>\$ 47,575</u>	<u>\$ 3,168,522</u>	<u>\$ (1,782,599)</u>	<u>\$ (312,173)</u>	<u>\$ 69,171</u>	<u>\$ (13,629)</u>	<u>\$ (7,662,337)</u>	<u>\$ -</u>	<u>\$ 30,174</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE C: LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's main source of liquidity is its cash accounts.

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

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

	June 30,	
	2023	2022
Cash	\$ 8,744,642	\$ 18,660,948
Certificates of deposit	6,254,989	-
Grants and contracts receivable	7,584,202	3,506,391
Property tax refund receivable	<u>950,280</u>	<u>950,280</u>
Total financial assets available within one year	23,534,113	23,117,619
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	<u>(2,842)</u>	<u>(2,842)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 23,531,271</u>	<u>\$ 23,114,777</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to the Organization at no charge under a verbal agreement. See Note E.

In December 2016 Friends entered into a lease agreement with a third party for school facility space for use by Boys Prep. The lease required a security deposit of \$495,000 which was paid in fiscal 2017 by Boys Prep. The lease term is 35 years through August 2053, which commenced upon occupancy in September 2018, with the option to renew the agreement for two renewal terms, the first for ten years and the second for four years. The current agreement provides for monthly payments of approximately \$202,300 for the first year, increasing annually based upon the greater of the changes in the Consumer Price Index above a base year or a fixed percentage of 1.5%. Girls Prep Bronx II was also located in the same facility as Boys Prep, through June 30, 2023.

The Organization sublet space in the Boys Prep facility to PPN at a rate of \$2,000 per month on a month-to-month basis from July 1, 2021 to June 30, 2022. Effective July 1, 2022, PPN moved out of the Boys Prep facility and into the Girls Prep LES building, at no charge. Rent paid by Friends during the years ended June 30, 2023 and 2022 (net of sublease income) was approximately \$2,600,000 and \$2,410,000, respectively.

During September 2019, the Organization finalized a sublease between Friends and Public Prep Charter School Academies for the Boys Prep school facility space which commenced September 10, 2018. Effective July 1, 2021, the lease was amended to extend the term to June 30, 2041. Under the amended sublease, annual rental payments increase by approximately 2% annually. All intercompany rent is eliminated in the accompanying consolidated financial statements; \$6,628,888 and \$6,699,651 for the years ended June 30, 2023 and 2022, respectively.

The Organization also leases computer and office equipment under non-cancelable lease agreements expiring at various dates through February 2028. During fiscal 2018, existing leases for certain office equipment were bought out by a new vendor who provided a cash lease incentive to the Organization. The deferred lease incentive associated with these buyouts will be amortized over five years (the term of the new leases) and is included in deferred lease incentive on the accompanying consolidated statement of financial position as of June 30, 2022. Approximately \$26,000 was recognized annually, with the remainder recognized in 2023.

During 2022, Public Prep Academies entered into a sublease with Vertex for the Joint High School facility. The sublease commenced July 1, 2022 through June 30, 2023. The lease includes all utilities and security services. The related lease expense was \$358,872 for the year ended June 30, 2023. In August 2023, the lease was extended through June 30, 2024 with total bi-monthly rent of \$204,840, shared between Public Prep Academies and Brilla College Preparatory Charter Schools. See Note M for further details on the Joint High School Program.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

A summary of lease right-of-use assets and liabilities at June 30, 2023 are as follows:

<u>Statement of Financial Position Classification</u>		
<u>Assets</u>		
Finance Lease	Other assets	\$ 903,962
Operating Lease	Other assets	55,642,280
		<u>\$ 56,546,242</u>
<u>Liabilities</u>		
Current:		
Finance Lease	Current liabilities	\$ 258,947
Operating Lease	Current liabilities	755,902
Non-current		
Finance Lease	Long-term liabilities	609,124
Operating Lease	Long-term liabilities	58,025,002
		<u>\$ 59,648,975</u>

The components of lease expense for the year ended June 30, 2023 were as follows:

Finance lease cost:	
Amortization of right-of-use assets	\$ 177,778
Interest on lease liabilities	27,265
Total finance lease costs	205,043
Operating lease cost:	
Variable lease cost	3,146,543
Short-term lease cost	168,804
	358,872
Total lease cost	<u>\$ 3,879,262</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

As of June 30, 2023, minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

	Finance leases	Operating leases	Total
2024	\$ 284,095	\$ 2,566,965	\$ 2,851,060
2025	247,733	2,543,755	2,791,488
2026	199,677	2,581,364	2,781,041
2027	158,012	2,583,057	2,741,069
2028	39,799	2,621,803	2,661,602
Thereafter	-	80,665,823	80,665,823
Total lease payments	929,316	93,562,767	94,492,083
Less: Interest	(61,245)	(34,781,863)	(34,843,108)
Present value of lease liabilities	<u>\$ 868,071</u>	<u>\$ 58,780,904</u>	<u>\$ 59,648,975</u>

Supplemental information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows paid for finance leases	\$ 25,041
Financing cash flows paid for finance leases	\$ 371,746
Operating cash flows paid for operating leases	\$ 2,632,410

Right-of-use assets obtained in exchange for new lease liabilities
(non-cash):

Finance leases	\$ 1,081,740
Operating leases	\$ 207,850

Weighted-average remaining lease term:

Finance leases	3.99 years
Operating leases	30.09 years

Weighted-average discount rate:

Finance leases	3.64%
Operating leases	3.11%

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

Effective April 7, 2022, Girls Prep Bronx II, LLC entered into a lease agreement with a third-party landlord to construct a building to be leased to Girls Prep Bronx II, LLC. The lease commencement date depends upon when the construction is substantially completed but will be no sooner than July 1, 2024. The lease shall run for 39 years from date of commencement with monthly rental payments beginning at \$125,000 and increasing to \$589,000 over the lease term. The lease can be renewed for an additional ten-year period. Future minimum lease payments below have been calculated assuming the lease commences on July 1, 2024 as expected. Public Prep Charter School Academies guarantees the lease. Management does not anticipate any losses from this guaranty, and, accordingly, no amounts have been provided for this guaranty in the accompanying consolidated financial statements. At June 30, 2023, the maximum amount of future payments (undiscounted) that the Organization could be required to make under the guaranty is approximately \$289,021,000. At this time, the Organization fully expects that the above lease obligation will be repaid by Girls Prep Bronx II, LLC in accordance with the lease terms. In accordance with the lease terms, the tenant shall pay or provide a letter of credit for one-half of the security deposit at the execution of the lease. This amounted to \$625,000 and the Organization obtained a standby letter of credit for this amount effective April 4, 2022 with a final expiration date of August 30, 2063. Further, the Organization maintains a certificate of deposit account that holds \$625,000 as collateral for this standby letter of credit as required by the standby letter of credit agreement. During 2023, the amount of the standby letter of credit was increased to \$1,250,000. As a result, in accordance with the lease terms, the Organization opened an additional certificate of deposit account that holds an additional \$625,000 as collateral for the second half of the standby letter of credit. In connection with the above lease, Girls Prep Bronx II, LLC entered into a sublease with Public Prep Charter School Academies in January 2023. The sublease has the same term as the lease between Girls Prep Bronx II, LLC and their landlord. Rent payable by Public Prep Charter School Academies will include facilities operational expenses including utilities, cleaning, and telecommunications services. Rental payments will be finalized approximately six months prior to the start of the lease agreement, but are expected to begin at approximately \$125,000 per month and increase to \$589,359 per month over the 39 year term of the lease. All intercompany rent will be eliminated in consolidation.

Future minimum payments under this lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ -
2025	1,500,000
2026	2,500,000
2027	3,200,000
2028	4,200,000
Thereafter	<u>277,621,234</u>
	<u>\$ 289,021,234</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE E: SCHOOL FACILITIES – GIFTS-IN-KIND

Girls Prep LES, Girls Prep Bronx, PrePrep and PrePrep3 are located in NYCDOE facilities at no charge. In valuing the contributed space in the school buildings, the Organization estimated the fair value of \$5,045,999 and \$5,481,411 for the years ending June 30, 2023 and 2022, respectively, on the basis of financial information provided to the Organization under the New York City School Rental Assistance Program. There were no associated donor restrictions with the contributed facilities.

<u>Program or Supporting Service</u>	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Regular education	\$ 3,326,249	\$ 3,772,550
Special education	1,027,330	941,516
Pre-K	250,493	243,560
Management and general	441,927	523,785
	<u>\$ 5,045,999</u>	<u>\$ 5,481,411</u>

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 3,158,202	\$ 2,744,582
Computer equipment	3,936,892	3,475,773
Office equipment	2,386,451	2,120,320
Web development	5,250	5,250
Leasehold improvements	12,231,648	11,894,794
Construction in progress	1,604,265	151,400
	<u>23,322,708</u>	<u>20,392,119</u>
Less accumulated depreciation and amortization	<u>10,283,122</u>	<u>8,488,908</u>
	<u>\$ 13,039,586</u>	<u>\$ 11,903,211</u>

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense on property and equipment was \$1,794,214 and \$1,747,318 for the years ended June 30, 2023 and 2022, respectively.

Construction in progress relates to construction at the Girls Prep Bronx II permanent space discussed in Note D. As of June 30, 2023, the Organization has approximately \$1,204,000 remaining on a construction commitment for the space. Amounts are expected to be placed into service upon commencement of the lease in fiscal year 2025.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE G: RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) plan covering all eligible employees. The Organization matches employees' contributions to the plan, up to a maximum of 5% of eligible compensation. The Organization's total contributions to the Plan for the years ended June 30, 2023 and 2022 were \$475,352 and \$357,028, respectively.

NOTE H: CONTINGENCY

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

NOTE I: CONCENTRATIONS

At June 30, 2023 and 2022, approximately 84% and 79%, respectively of grants and contracts receivables are due from New York State relating to certain grants. At June 30, 2023 and 2022, approximately 12% and 8% of grants and contracts receivables are due from NYCDOE relating to certain grants, respectively. At June 30, 2023 and 2022, all of the property tax refund receivable is due from the Organization's landlord.

During the years ended June 30, 2023, and 2022, 65% and 67%, respectively of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which each Charter School's students reside.

NOTE J: LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Loan payable to nonprofit revolving loan fund, due in monthly installments of \$32,359, including interest at 3.7% through August 2050. The loan is secured by a leasehold mortgage on certain property as well as a first priority lien security interest in the gross revenues of Friends. In connection with this loan, Public Prep Academies and Boys Prep specifically are both subject to certain financial and operational covenants. The Organization was in compliance with these covenants as of June 30, 2023.	<u>\$ 6,647,374</u>	<u>\$ 6,787,373</u>
Less unamortized debt issuance costs	(386,614)	(400,889)
Less current portion of long-term debt	<u>(144,771)</u>	<u>(139,520)</u>
	<u>\$ 6,115,989</u>	<u>\$ 6,246,964</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE J: LONG-TERM DEBT, Cont'd

Estimated annual maturities of long-term debt at June 30, 2023 as described above, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 144,771
2025	150,219
2026	155,873
2027	161,739
2028	167,826
Thereafter	<u>5,866,946</u>
	<u>\$ 6,647,374</u>

NOTE K: FUNCTIONAL EXPENSES

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

NOTE L: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Undesignated	\$ 17,279,857	\$ 17,886,389
Invested in property and equipment, net of related debt	<u>6,778,826</u>	<u>5,516,727</u>
	<u>\$ 24,058,683</u>	<u>\$ 23,403,116</u>

Net assets with donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Eyeglasses	<u>\$ 2,842</u>	<u>\$ 2,842</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE M: VERTEX PARTNERSHIP ACADEMIES JOINT HIGH SCHOOL OPERATIONS

Management company fees

As described in Note A, the Organization entered into an agreement with Vertex Partnership Academies, Inc. to manage a joint high school program incorporating scholars from Girls Prep LES, Boys Prep, Girls Prep Bronx, and Brilla College Preparatory Charter Schools, another charter school. In connection with the agreement, the Organization pays a service fee to Vertex Partnership Academies, Inc. for their role in managing the joint high school equal to 15% of all the public revenues received by the Organization for its students attending the joint high school. Public revenues exclude any Federal Public Charter School Program Planning and Implementation Grants ("CSP") or any funding allocated or awarded during the 2021-2022 school year under the American Rescue Plan Elementary and Secondary School Emergency Relief Fund, the American Rescue Plan Act of 2021 or the Coronavirus Aid, Recovery and Economic Security Act. The Organization paid management company fees related to high school operations of \$250,904 for the year ended June 30, 2023. There were no management company fees related to high school operations for the year ended June 30, 2022.

Joint high school funding

Under the agreement, the Organization is to transfer to the joint high school all funds received from any governmental or private entity with respect to the joint high school program and its students including but not limited to, per pupil funding received from New York State and its municipalities and school districts; all Federal Government funding including Title I, Title III, E-rate, and CSP funding; and all startup funding received from private foundations with respect to the joint high school program. Any rental assistance received through the New York City Department of Education by the Organization shall be used towards rental payments for the high school facility for students enrolled in the joint high school program.

Contribution from joint high school program

The agreement also states that it is the sole responsibility of Vertex Partnership Academies, Inc. to ensure that it has sufficient funds to run the joint high school program should additional funds be required beyond the joint high school funding and the management company fees. During the year ended June 30, 2023, Vertex Partnership Academies, Inc. made a contribution to the Girls Prep LES, Boys Prep and Girls Prep Bronx portion of the joint high school program totaling \$831,346. There was no such contribution for the year ended June 30, 2022.

NOTE N: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Organization has recognized \$5,139,200 and \$4,759,130 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023, the Organization has approximately \$4,804,700 of ESSER grants still available through September 30, 2024.

The Emergency Connectivity Fund (ECF) was also established to award grants to state and local educational agencies. The Organization has recognized \$385,200 and \$321,869 of revenue relative to ECF grants during the years ended June 30, 2023 and 2022, respectively.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE O: CHARTER RENEWAL PROCESS

Boys Prep is currently in the process of renewing the charter granted by the Board of Regents of the University of the State of New York. The charter currently expires July 31, 2024. The renewal process includes review by the SUNY Charter Schools Institute of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Upon review of the application and results, SUNY CSI will determine if the charter should be renewed, and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Organization expects the charter to be renewed.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Public Prep Charter School Academies

We have audited the consolidated financial statements of Public Prep Charter School Academies as of and for the year ended June 30, 2023, and have issued our report thereon dated November 15, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other financial information hereinafter is presented for purposes of additional analysis and are not required parts of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2023, as a whole.

We have also audited the consolidated financial statements of Public Prep Charter School Academies as of and for the year ended June 30, 2022, and our report thereon dated November 30, 2022 expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on those consolidated financial statements as a whole. The 2022 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2022 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 consolidated financial statements or to the 2022 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2022, as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
November 15, 2023

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2023

ASSETS	Public Prep Charter School Academies								Friends of Girls Preparatory Charter School of New York	Eliminations	Consolidated Total
	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	Girls Preparatory Charter School of the Bronx II	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	Pre Prep 3	Total			
CURRENT ASSETS											
Cash	\$ (6,140,650)	\$ 3,730,438	\$ 6,043,612	\$ 452,359	\$ 181,942	\$ -	\$ -	\$ 4,267,701	\$ 4,476,941	\$ -	\$ 8,744,642
Certificates of deposit	6,254,989	-	-	-	-	-	-	6,254,989	-	-	6,254,989
Grants and contracts receivable	1,449,107	2,461,942	2,746,451	693,924	162,938	11,220	(8,750)	7,516,832	67,370	-	7,584,202
Property tax refund receivable	-	-	-	-	-	-	-	-	950,280	-	950,280
Prepaid expenses and other current assets	74,235	93,277	68,956	23,740	412	620	-	261,240	293,823	-	555,063
TOTAL CURRENT ASSETS	1,637,681	6,285,657	8,859,019	1,170,023	345,292	11,840	(8,750)	18,300,762	5,788,414	-	24,089,176
OTHER ASSETS											
Property and equipment, net	508,896	904,511	695,764	183,510	10,610	62,260	6,189	2,371,740	10,667,846	-	13,039,586
Related party receivables (payables)	1,159,746	6,639,325	4,463,157	(2,509,942)	(652,038)	(37,578)	(61,997)	9,000,673	(8,744,775)	-	255,898
Right-of-use assets - finance	113,311	456,303	264,451	69,897	-	-	-	903,962	-	-	903,962
Right-of-use assets - operating	64,027	88,381,089	-	-	-	-	-	88,445,116	55,554,995	(88,357,831)	55,642,280
Deferred lease receivable	-	-	-	-	-	-	-	-	1,787,973	(1,787,973)	-
Security deposits	-	502,325	-	-	-	-	-	502,325	31,690	-	534,015
Cash in escrow	119	-	-	-	-	-	-	119	-	-	119
Restricted cash	-	-	-	1,250,000	-	-	-	1,250,000	-	-	1,250,000
	1,846,099	96,883,553	5,423,372	(1,006,535)	(641,428)	24,682	(55,808)	102,473,935	59,297,729	(90,145,804)	71,625,860
TOTAL ASSETS	\$ 3,483,780	\$ 103,169,210	\$ 14,282,391	\$ 163,488	\$ (296,136)	\$ 36,522	\$ (64,558)	\$ 120,774,697	\$ 65,086,143	\$ (90,145,804)	\$ 95,715,036

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY CHARTER, Cont'd

JUNE 30, 2023

LIABILITIES AND NET ASSETS (DEFICIT)	Public Prep Charter School Academies								Friends of Girls Preparatory Charter School of New York	Eliminations	Consolidated Total
	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	Girls Preparatory Charter School of the Bronx II	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	Pre Prep 3	Total			
<u>CURRENT LIABILITIES</u>											
Accounts payable and accrued expenses	\$ 657,547	\$ 870,241	\$ 925,146	\$ 211,543	\$ 22,453	\$ 92,293	\$ 955	\$ 2,780,178	\$ 259,265	\$ -	\$ 3,039,443
Accrued payroll and benefits	646,903	897,559	770,653	188,352	68,229	35,180	16,223	2,623,099	-	-	2,623,099
Deferred revenue	59,933	21,301	-	-	-	-	-	81,234	-	-	81,234
Current portion of long-term debt	-	-	-	-	-	-	-	-	144,771	-	144,771
Current portion of lease liabilities - finance	22,797	117,166	105,566	13,418	-	-	-	258,947	-	-	258,947
Current portion of lease liabilities - operating	35,317	2,972,791	-	-	-	-	-	3,008,108	696,201	(2,948,407)	755,902
TOTAL CURRENT LIABILITIES	1,422,497	4,879,058	1,801,365	413,313	90,682	127,473	17,178	8,751,566	1,100,237	(2,948,407)	6,903,396
<u>LONG-TERM LIABILITIES</u>											
Long-term debt, net of unamortized debt issuance costs of \$386,614 and \$400,889 at June 30, 2023 and 2022, respect	-	-	-	-	-	-	-	-	6,115,989	-	6,115,989
Long-term lease liabilities - finance	96,380	334,976	124,154	53,614	-	-	-	609,124	-	-	609,124
Long-term lease liabilities - operating	-	87,197,397	-	-	-	-	-	87,197,397	58,025,002	(87,197,397)	58,025,002
TOTAL LIABILITIES	1,518,877	92,411,431	1,925,519	466,927	90,682	127,473	17,178	96,558,087	65,241,228	(90,145,804)	71,653,511
<u>NET ASSETS (DEFICIT)</u>											
Without donor restrictions	1,962,061	10,757,779	12,356,872	(303,439)	(386,818)	(90,951)	(81,736)	24,213,768	(155,085)	-	24,058,683
With donor restrictions	2,842	-	-	-	-	-	-	2,842	-	-	2,842
TOTAL NET ASSETS (DEFICIT)	1,964,903	10,757,779	12,356,872	(303,439)	(386,818)	(90,951)	(81,736)	24,216,610	(155,085)	-	24,061,525
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 3,483,780</u>	<u>\$ 103,169,210</u>	<u>\$ 14,282,391</u>	<u>\$ 163,488</u>	<u>\$ (296,136)</u>	<u>\$ 36,522</u>	<u>\$ (64,558)</u>	<u>\$ 120,774,697</u>	<u>\$ 65,086,143</u>	<u>\$ (90,145,804)</u>	<u>\$ 95,715,036</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2023

	Public Prep Charter School Academies										
	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	Girls Preparatory Charter School of the Bronx II	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	Pre Prep 3	Total	Friends of Girls Preparatory Charter School of New York	Eliminations	Consolidated Total
Revenue, gains and other support:											
Public school district:											
Resident student enrollment	\$ 5,148,114	\$ 12,002,805	\$ 11,584,294	\$ 2,359,713	\$ 509,491	\$ 478,632	\$ 146,483	\$ 32,229,532	\$ -	\$ -	\$ 32,229,532
Students with disabilities	1,141,637	2,020,431	1,221,159	270,972	-	-	-	4,654,199	-	-	4,654,199
Grants and contracts:											
State and local	405,052	62,476	693,384	9,806	-	-	-	1,170,718	-	-	1,170,718
Federal - Title and IDEA	327,117	772,490	685,909	145,356	-	-	-	1,930,872	-	-	1,930,872
Federal - other	881,032	2,718,727	2,158,586	514,406	-	-	-	6,272,751	-	-	6,272,751
NYC DOE rental assistance	137,199	3,586,769	98,016	705,524	-	-	-	4,527,508	-	-	4,527,508
Contributions - nonfinancial assets, in-kind rent	1,411,446	-	3,384,060	-	184,326	-	66,167	5,045,999	-	-	5,045,999
Food Service/Child Nutrition Program	-	810,869	-	121,729	-	37,893	-	970,491	-	-	970,491
TOTAL REVENUE, GAINS AND OTHER SUPPORT	9,451,597	21,974,567	19,825,408	4,127,506	693,817	516,525	212,650	56,802,070	-	-	56,802,070
Expenses:											
Program services:											
Regular education	7,384,773	15,195,612	12,926,332	2,877,130	-	-	-	38,383,847	4,144,996	(4,203,042)	38,325,801
Special education	2,913,158	6,041,030	3,469,138	1,378,937	-	-	-	13,802,263	1,033,195	(1,746,898)	13,088,560
Pre-K	-	-	-	-	939,323	729,836	280,090	1,949,249	183,226	(210,786)	1,921,689
Total Program Services	10,297,931	21,236,642	16,395,470	4,256,067	939,323	729,836	280,090	54,135,359	5,361,417	(6,160,726)	53,336,050
Management and general	993,840	1,558,755	1,644,056	402,670	4,034	1,498	749	4,605,602	106,088	(468,162)	4,243,528
TOTAL OPERATING EXPENSES	11,291,771	22,795,397	18,039,526	4,658,737	943,357	731,334	280,839	58,740,961	5,467,505	(6,628,888)	57,579,578
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(1,840,174)	(820,830)	1,785,882	(531,231)	(249,540)	(214,809)	(68,189)	(1,938,891)	(5,467,505)	6,628,888	(777,508)
Support and other revenue:											
Contributions:											
Foundations	95,088	190,176	154,333	28,526	-	-	-	468,123	-	-	468,123
Individuals	50	-	-	-	-	-	-	50	-	-	50
Corporations	235,458	428,488	168,994	-	-	-	-	832,940	-	-	832,940
Interest income	12,105	-	-	-	-	-	-	12,105	-	-	12,105
Other income	20,149	81,084	-	8,550	-	-	-	109,783	-	-	109,783
Rental income	-	10,074	-	-	-	-	-	10,074	6,628,888	(6,628,888)	10,074
TOTAL SUPPORT AND OTHER REVENUE	362,850	709,822	323,327	37,076	-	-	-	1,433,075	6,628,888	(6,628,888)	1,433,075
CHANGE IN NET ASSETS	(1,477,324)	(111,008)	2,109,209	(494,155)	(249,540)	(214,809)	(68,189)	(505,816)	1,161,383	-	655,567
Net assets (deficit) at beginning of year	3,442,227	10,868,787	10,247,663	190,716	(137,278)	123,858	(13,547)	24,722,426	(1,316,468)	-	23,405,958
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 1,964,903</u>	<u>\$ 10,757,779</u>	<u>\$ 12,356,872</u>	<u>\$ (303,439)</u>	<u>\$ (386,818)</u>	<u>\$ (90,951)</u>	<u>\$ (81,736)</u>	<u>\$ 24,216,610</u>	<u>\$ (155,085)</u>	<u>\$ -</u>	<u>\$ 24,061,525</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – GIRLS PREPARATORY CHARTER
SCHOOL OF NEW YORK

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	No. of Positions	Program Services			Supporting Services			Total	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2023	2022
Personnel services costs:									
Administrative staff personnel	13	\$ 1,088,591	\$ 331,696	\$ 1,420,287	\$ 470,358	\$ -	\$ 470,358	\$ 1,890,645	\$ 1,583,714
Instructional personnel	<u>47</u>	<u>2,370,285</u>	<u>1,080,050</u>	<u>3,450,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,450,335</u>	<u>4,160,102</u>
Total personnel services costs	60	3,458,876	1,411,746	4,870,622	470,358	-	470,358	5,340,980	5,743,816
Fringe benefits and payroll taxes		701,753	286,422	988,175	95,428	-	95,428	1,083,603	1,010,736
Retirement		137,557	56,144	193,701	18,706	-	18,706	212,407	109,175
Management company fees		624,242	254,789	879,031	84,888	-	84,888	963,919	1,148,156
Legal service		54,147	22,100	76,247	7,363		7,363	83,610	-
Accounting and auditing services		-	-	-	15,309	-	15,309	15,309	19,050
Other professional and consulting services		497,441	161,590	659,031	13,170	-	13,170	672,201	547,204
Building rent / lease / facility finance interest		97,551	38,916	136,467	12,083	-	12,083	148,550	-
In-kind rent		914,068	373,078	1,287,146	124,301		124,301	1,411,447	1,941,887
Repairs and maintenance		19,381	7,910	27,291	2,636	-	2,636	29,927	23,008
Insurance		37,354	15,246	52,600	5,080	-	5,080	57,680	92,910
Utilities		35,798	14,611	50,409	4,868	-	4,868	55,277	57,240
Supplies and materials		176,918	43,107	220,025	-	-	-	220,025	352,084
Equipment and furnishings		43,972	14,123	58,095	952	-	952	59,047	130,848
Staff development		71,383	29,135	100,518	9,707	-	9,707	110,225	126,962
Marketing and recruiting		72,383	22,055	94,438	6,253	-	6,253	100,691	3,877
Technology		108,276	32,992	141,268	-	-	-	141,268	86,242
Food service		9,352	2,850	12,202	-	-	-	12,202	10,358
Student services		45,301	13,803	59,104	-	-	-	59,104	194,505
Office expense		75,453	29,455	104,908	29,063	-	29,063	133,971	140,971
Depreciation and amortization		203,567	83,086	286,653	27,683	-	27,683	314,336	286,223
Other		<u>-</u>	<u>-</u>	<u>-</u>	<u>65,992</u>	<u>-</u>	<u>65,992</u>	<u>65,992</u>	<u>-</u>
		<u>\$ 7,384,773</u>	<u>\$ 2,913,158</u>	<u>\$ 10,297,931</u>	<u>\$ 993,840</u>	<u>\$ -</u>	<u>\$ 993,840</u>	<u>\$ 11,291,771</u>	<u>\$ 12,025,252</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
BOYS PREPARATORY CHARTER SCHOOL OF NEW YORK

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	No. of Positions	Program Services			Supporting Services			Total	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2023	2022
Personnel services costs:									
Administrative staff personnel	21	\$ 1,305,893	\$ 486,151	\$ 1,792,044	\$ 704,280	\$ -	\$ 704,280	\$ 2,496,324	\$ 1,519,850
Instructional personnel	97	4,755,407	1,949,367	6,704,774	-	-	-	6,704,774	6,475,427
Non-instructional personnel	<u>1</u>	<u>56,435</u>	<u>21,009</u>	<u>77,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,444</u>	<u>104,207</u>
Total personnel services costs	119	6,117,735	2,456,527	8,574,262	704,280	-	704,280	9,278,542	8,099,484
Fringe benefits and payroll taxes		1,160,478	465,981	1,626,459	133,595	-	133,595	1,760,054	1,824,152
Retirement		46,384	18,625	65,009	5,340	-	5,340	70,349	86,685
Management company fees		1,396,325	560,683	1,957,008	160,746	-	160,746	2,117,754	2,247,229
Legal services		98,818	39,680	138,498	11,376	-	11,376	149,874	-
Accounting and auditing services		-	-	-	39,212	-	39,212	39,212	19,050
Other professional and consulting services		618,612	238,158	856,770	20,906	-	20,906	877,676	532,272
Building rent / lease / facility finance interest		3,736,855	1,482,513	5,219,368	359,428	-	359,428	5,578,796	5,718,985
Repairs and maintenance		4,712	1,892	6,604	542	-	542	7,146	69,141
Insurance		80,294	32,241	112,535	9,244	-	9,244	121,779	96,308
Utilities		77,328	31,050	108,378	8,902	-	8,902	117,280	105,045
Supplies and materials		292,767	112,336	405,103	-	-	-	405,103	460,591
Equipment and furnishings		9,287	3,892	13,179	1,709	-	1,709	14,888	147,983
Staff development		114,395	45,934	160,329	13,169	-	13,169	173,498	163,062
Marketing and recruiting		132,549	49,344	181,893	12,735	-	12,735	194,628	8,376
Technology		155,837	58,014	213,851	-	-	-	213,851	142,363
Food service		543,894	202,478	746,372	-	-	-	746,372	732,315
Student services		94,038	35,008	129,046	-	-	-	129,046	161,008
Office expense		116,624	46,588	163,212	14,818	-	14,818	178,030	206,625
Depreciation and amortization		398,680	160,086	558,766	45,896	-	45,896	604,662	498,145
Other		<u>-</u>	<u>-</u>	<u>-</u>	<u>16,857</u>	<u>-</u>	<u>16,857</u>	<u>16,857</u>	<u>3,951</u>
		<u>\$ 15,195,612</u>	<u>\$ 6,041,030</u>	<u>\$ 21,236,642</u>	<u>\$ 1,558,755</u>	<u>\$ -</u>	<u>\$ 1,558,755</u>	<u>\$ 22,795,397</u>	<u>\$ 21,322,770</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

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

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	No. of Positions	Program Services			Supporting Services			Total	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2023	2022
Personnel services costs:									
Administrative staff personnel	20	\$ 1,228,257	\$ 286,647	\$ 1,514,904	\$ 790,197	\$ -	\$ 790,197	\$ 2,305,101	\$ 2,020,524
Instructional personnel	91	4,772,817	1,341,015	6,113,832	-	-	-	6,113,832	6,311,215
Total personnel services costs	111	6,001,074	1,627,662	7,628,736	790,197	-	790,197	8,418,933	8,331,739
Fringe benefits and payroll taxes		1,100,810	298,571	1,399,381	144,950	-	144,950	1,544,331	1,679,310
Retirement		95,231	25,829	121,060	12,540	-	12,540	133,600	110,412
Management company fees		1,370,348	371,678	1,742,026	180,442	-	180,442	1,922,468	1,854,721
Legal services		20,428	5,541	25,969	2,690	-	2,690	28,659	100,000
Accounting and auditing services		-	-	-	39,265	-	39,265	39,265	19,050
Other professional and consulting services		381,680	94,510	476,190	18,906	-	18,906	495,096	462,652
Building rent / lease / facility finance interest		71,468	19,384	90,852	9,411	-	9,411	100,263	-
In-kind rent		2,412,181	654,252	3,066,433	317,626	-	317,626	3,384,059	3,295,964
Repairs and maintenance		15,935	5,111	21,046	3,559	-	3,559	24,605	52,492
Insurance		77,046	20,897	97,943	10,145	-	10,145	108,088	83,060
Utilities		67,107	18,201	85,308	8,836	-	8,836	94,144	76,759
Supplies and materials		386,828	90,456	477,284	-	-	-	477,284	525,059
Equipment and furnishings		-	-	-	1,284	-	1,284	1,284	115,673
Staff development		131,822	35,754	167,576	17,358	-	17,358	184,934	192,092
Marketing and recruiting		124,863	29,140	154,003	9,201	-	9,201	163,204	7,938
Technology		147,215	34,357	181,572	-	-	-	181,572	130,802
Food service		19,997	4,667	24,664	-	-	-	24,664	29,433
Student services		67,859	15,837	83,696	-	-	-	83,696	161,869
Office expense		122,992	32,817	155,809	17,235	-	17,235	173,044	245,391
Depreciation and amortization		311,448	84,474	395,922	41,010	-	41,010	436,932	380,794
Other		-	-	-	19,401	-	19,401	19,401	6,083
		<u>\$ 12,926,332</u>	<u>\$ 3,469,138</u>	<u>\$ 16,395,470</u>	<u>\$ 1,644,056</u>	<u>\$ -</u>	<u>\$ 1,644,056</u>	<u>\$ 18,039,526</u>	<u>\$ 17,861,293</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

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

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	No. of Positions	Program Services			Supporting Services			Total	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2023	2022
Personnel services costs:									
Administrative staff personnel	5	\$ 280,188	\$ 44,311	\$ 324,499	\$ 194,786	\$ -	\$ 194,786	\$ 519,285	\$ 504,130
Instructional personnel	23	946,168	603,916	1,550,084	-	-	-	1,550,084	1,267,776
Total personnel services costs	28	1,226,356	648,227	1,874,583	194,786	-	194,786	2,069,369	1,771,906
Fringe benefits and payroll taxes		224,827	118,839	343,666	35,710	-	35,710	379,376	345,814
Retirement		27,634	14,607	42,241	4,389	-	4,389	46,630	36,994
Management company fees		230,316	121,741	352,057	36,582	-	36,582	388,639	341,008
Legal services		21,019	11,110	32,129	3,339	-	3,339	35,468	26,850
Accounting and auditing services		-	-	-	655	-	655	655	19,050
Other professional and consulting services		109,105	27,084	136,189	4,215	-	4,215	140,404	249,391
Building rent / lease / facility finance interest		622,975	313,519	936,494	92,186	-	92,186	1,028,680	928,667
Repairs and maintenance		-	-	-	-	-	-	-	1,066
Insurance		17,758	9,386	27,144	2,821	-	2,821	29,965	16,604
Utilities		-	-	-	-	-	-	-	17,126
Supplies and materials		66,172	10,676	76,848	-	-	-	76,848	162,752
Equipment and furnishings		754	398	1,152	120	-	120	1,272	11,483
Staff development		30,093	15,906	45,999	4,780	-	4,780	50,779	38,519
Marketing and recruiting		32,474	5,136	37,610	494	-	494	38,104	5,010
Technology		68,321	16,135	84,456	2,285	-	2,285	86,741	44,145
Food service		96,410	15,247	111,657	-	-	-	111,657	74,151
Student services		7,521	1,189	8,710	-	-	-	8,710	43,771
Office expense		24,842	12,444	37,286	3,951	-	3,951	41,237	77,121
Depreciation and amortization		70,553	37,293	107,846	11,206	-	11,206	119,052	107,175
Other		-	-	-	5,151	-	5,151	5,151	12,030
		<u>\$ 2,877,130</u>	<u>\$ 1,378,937</u>	<u>\$ 4,256,067</u>	<u>\$ 402,670</u>	<u>\$ -</u>	<u>\$ 402,670</u>	<u>\$ 4,658,737</u>	<u>\$ 4,330,633</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM –
PREPREP: THE JOAN GANZ COONEY EARLY LEARNING PROGRAM

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

		Program Services	Supporting Services		Total	
	No. of Positions	Pre-K	Management and general	Fundraising and special events	Year ended June 30,	
					2023	2022
Personnel services costs:						
Administrative staff personnel	-	\$ 6,665	\$ -	\$ -	\$ 6,665	\$ 15,000
Instructional personnel	<u>8</u>	<u>513,592</u>	<u>-</u>	<u>-</u>	<u>513,592</u>	<u>357,687</u>
Total personnel services costs	8	520,257	-	-	520,257	372,687
Fringe benefits and payroll taxes		129,005	-	-	129,005	84,657
Retirement		6,541	-	-	6,541	7,903
Legal service		83	-	-	83	-
Accounting and auditing services		-	2,997	-	2,997	-
Other professional and consulting services		23,057	-	-	23,057	32,544
In-kind rent		184,326	-	-	184,326	180,701
Insurance		10,920	-	-	10,920	5,037
Utilities		-	-	-	-	1,795
Supplies and materials		6,352	-	-	6,352	10,017
Staff development		23,012	-	-	23,012	360
Marketing and recruiting		12,679	-	-	12,679	-
Technology		11,952			11,952	-
Food service		-	-	-	-	3,706
Student services		-	-	-	-	266
Office expense		1,583	-	-	1,583	7,072
Depreciation and amortization		9,556	-	-	9,556	8,807
Other		<u>-</u>	<u>1,037</u>	<u>-</u>	<u>1,037</u>	<u>-</u>
		<u>\$ 939,323</u>	<u>\$ 4,034</u>	<u>\$ -</u>	<u>\$ 943,357</u>	<u>\$ 715,552</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM –
PREPREP 2

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

		Program Services	Supporting Services		Total	
	No. of Positions		Management and general	Fundraising and special events	Year ended June 30,	
		Pre-K 2			2023	2022
Personnel services costs:						
Administrative staff personnel	-	\$ 5,835	\$ -	\$ -	\$ 5,835	\$ 15,000
Instructional personnel	<u>5</u>	<u>314,074</u>	<u>-</u>	<u>-</u>	<u>314,074</u>	<u>287,761</u>
Total personnel services costs	5	319,909	-	-	319,909	302,761
Fringe benefits and payroll taxes		57,606	-	-	57,606	27,929
Retirement		5,825	-	-	5,825	5,676
Legal service		42	-	-	42	-
Accounting and auditing services		-	1,498	-	1,498	-
Other professional and consulting services		21,507	-	-	21,507	44,173
Building rent / lease / facility finance interest		210,786	-	-	210,786	52,000
Insurance		5,460	-	-	5,460	7,764
Utilities		-	-	-	-	1,795
Supplies and materials		5,160	-	-	5,160	11,495
Staff development		11,106	-	-	11,106	360
Marketing and recruiting		6,339	-	-	6,339	-
Technology		8,926	-	-	8,926	-
Food service		48,397	-	-	48,397	37,802
Student services		144	-	-	144	740
Office expense		919	-	-	919	7,070
Depreciation and amortization		<u>27,710</u>	<u>-</u>	<u>-</u>	<u>27,710</u>	<u>26,994</u>
		<u>\$ 729,836</u>	<u>\$ 1,498</u>	<u>\$ -</u>	<u>\$ 731,334</u>	<u>\$ 526,559</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM –
PREPREP 3

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	No. of Positions	Program Services	Supporting Services		Total	
		Pre-K 3	Management and general	Fundraising and special events	Year ended June 30,	
					2023	2022
Personnel services costs:						
Administrative staff personnel	-	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Instructional personnel	<u>2</u>	<u>140,004</u>	<u>-</u>	<u>-</u>	<u>140,004</u>	<u>130,856</u>
Total personnel services costs	2	140,004	-	-	140,004	145,856
Fringe benefits and payroll taxes		34,821	-	-	34,821	24,951
Retirement		-	-	-	-	183
Legal service		21		-	21	-
Accounting and auditing services		-	749	-	749	-
Other professional and consulting services		13,049	-	-	13,049	18,980
In-kind rent		66,167	-	-	66,167	62,859
Insurance		2,730	-	-	2,730	2,133
Utilities		-	-	-	-	598
Supplies and materials		2,998	-	-	2,998	3,215
Staff development		8,053	-	-	8,053	120
Marketing and recruiting		3,170	-	-	3,170	-
Technology		3,473	-	-	3,473	-
Student services		-	-	-	-	56
Office expense		120	-	-	120	2,357
Depreciation and amortization		<u>5,484</u>	<u>-</u>	<u>-</u>	<u>5,484</u>	<u>5,299</u>
		<u>\$ 280,090</u>	<u>\$ 749</u>	<u>\$ -</u>	<u>\$ 280,839</u>	<u>\$ 266,607</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES – FRIENDS OF PUBLIC PREP

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Program Services				Supporting Services	Total	
	Regular Education	Special Education	Pre-K	Sub-total	Management and general	Year ended June 30,	
						2023	2022
Legal services	\$ -	\$ -	\$ -	\$ -	\$ 16,745	\$ 16,745	\$ 29,246
Other professional and consulting services	4,407	1,098	195	5,700	86,839	92,539	107,194
Building rent / lease / facility finance interest	2,664,310	664,114	117,774	3,446,198	-	3,446,198	3,309,077
Repairs and maintenance	850,181	211,919	37,582	1,099,682	-	1,099,682	941,887
Utilities	239,147	59,611	10,571	309,329	-	309,329	266,220
Equipment / furnishings	35,500	8,849	1,569	45,918	-	45,918	115
Student services	147	37	6	190	-	190	-
Office expense	108	27	5	140	2,504	2,644	-
Depreciation and amortization	351,196	87,540	15,524	454,260	-	454,260	433,881
	<u>\$ 4,144,996</u>	<u>\$ 1,033,195</u>	<u>\$ 183,226</u>	<u>\$ 5,361,417</u>	<u>\$ 106,088</u>	<u>\$ 5,467,505</u>	<u>\$ 5,087,620</u>