
**NEW WORLD PREPARATORY CHARTER
SCHOOL AND SUBSIDIARY**

**Consolidated Financial Statements
with Supplementary Information**

For the years ended June 30, 2023 and 2022

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidated Financial Statements
June 30, 2023 and 2022

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Independent Auditor's Report

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

Report on the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New World Preparatory Charter School and Subsidiary as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2023, New World Preparatory Charter School adopted new accounting guidance, Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

Responsibility of management for the consolidated financial statements

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

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

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

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

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

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

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

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying supplementary financial information from page 19 to 25 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of New World Preparatory Charter School and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New World Preparatory Charter School and Subsidiary's internal control over financial reporting and compliance.

NChing LLP

New York, New York
October 30, 2023

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

As of June 30,

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 9,587,252	\$ 8,745,924
Grants receivable	545,648	778,928
Security deposits	33,333	33,333
Prepaid expenses	6,362	121,669
Total current assets	10,172,595	9,679,854
Property and equipment, net	31,952,024	18,829,261
Operating lease right-of-use assets	2,293,567	-
Other assets		
Restricted cash and escrow reserves	29,769,062	41,055,089
Total assets	<u>\$ 74,187,248</u>	<u>\$ 69,564,204</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 706,321	\$ 456,486
Accrued salaries and other payroll-related expenses	1,549,935	1,721,759
Construction costs payable	1,408,575	2,377,813
Bonds payable - current portion	775,000	-
Short-term operating lease liabilities	727,941	-
Refundable advances	527,027	303,102
Total current liabilities	5,694,799	4,859,160
Long term liabilities		
Long-term operating lease liabilities	1,565,626	-
Bonds payable, net	52,904,214	53,726,312
Total liabilities	60,164,639	58,585,472
Net assets		
Undesignated	13,921,077	10,903,303
Reserve - contingency	101,532	75,429
Total net assets without donor restrictions	14,022,609	10,978,732
Total liabilities and net assets	<u>\$ 74,187,248</u>	<u>\$ 69,564,204</u>

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

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

For the years ended June 30,

	<u>2023</u>	<u>2022</u>
<u>Operating revenue and other support</u>		
State and local per pupil operating revenue		
General education	\$ 13,077,805	\$11,431,501
Special education	2,789,385	2,796,038
Facility lease assistance	2,014,832	1,491,265
Total state and local per pupil operating revenue	17,882,022	15,718,804
Grants, contract and other support		
State and local grants	59,921	57,017
Federal grants	1,250,079	1,576,343
Contributions	255,628	15,745
Interest and other income	1,288,445	33,025
Total operating revenue and other support	20,736,095	17,400,934
<u>Expenses</u>		
Program expenses		
Regular education	12,566,814	10,510,015
Special education	3,138,034	2,987,442
Total program expenses	15,704,848	13,497,457
Supporting services		
Management and general	1,887,407	1,678,618
Fundraising	99,963	1,082
Total program and supporting services expenses	17,692,218	15,177,157
Change in net assets	3,043,877	2,223,777
Net assets without donor restrictions - beginning of year	10,978,732	8,754,955
Net assets without donor restrictions - end of year	<u>\$ 14,022,609</u>	<u>\$ 10,978,732</u>

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidated Statement of Functional Expenses

For the year ended June 30, 2023

	No. of positions	Program expenses			Supporting services		Total Program and Supporting Services
		Regular education	Special education	Total programs	Fundraising	Management & general	
Salaries							
Instructional personnel	110	\$ 5,984,793	\$ 1,663,156	\$ 7,647,949	\$ -	\$ -	\$ 7,647,949
Administrative staff personnel	11	821,371	28,532	849,903	-	462,131	1,312,034
Non-instructional personnel	9	441,763	15,346	457,109	-	248,551	705,660
Total salaries	130	7,247,927	1,707,034	8,954,961	-	710,682	9,665,643
Operating expenses							
Payroll taxes and fringe benefits		1,520,782	358,175	1,878,957	-	149,118	2,028,075
Retirement		141,220	33,260	174,480	-	13,847	188,327
Contracted services		144,746	34,177	178,923	-	556,850	735,773
Administrative		78,794	18,558	97,352	-	7,726	105,078
Marketing and recruitment		85,467	20,129	105,596	-	8,380	113,976
Legal and professional fees		85,504	19,415	104,919	-	44,944	149,863
Other purchase/professional/consulting		72,082	13,689	85,771	-	5,699	91,470
Insurance		146,507	34,505	181,012	-	96,776	277,788
Repairs and maintenance		557,817	131,377	689,194	-	54,696	743,890
Occupancy		865,187	190,004	1,055,191	-	99,336	1,154,527
School and staff development		304,856	71,800	376,656	-	29,892	406,548
Student services		11,155	194,490	205,645	-	1,430	207,075
Food service		248,948	70,216	319,164	-	-	319,164
Supplies and instructional materials		367,519	86,558	454,077	-	36,036	490,113
Equipment and furnishing		92,518	21,790	114,308	-	9,072	123,380
Technology		51,991	12,245	64,236	-	5,098	69,334
Utilities		136,459	32,139	168,598	-	13,380	181,978
Interest expense		58,653	-	58,653	-	-	58,653
Depreciation		271,194	58,078	329,272	-	24,179	353,451
Other expenses		77,488	30,395	107,883	99,963	20,266	228,112
Total operating expenses		5,318,887	1,431,000	6,749,887	99,963	1,176,725	8,026,575
Total expenses		\$ 12,566,814	\$ 3,138,034	\$ 15,704,848	\$ 99,963	\$ 1,887,407	\$ 17,692,218

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidated Statement of Functional Expenses

For the year ended June 30, 2022

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

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

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

For the years ended June 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 3,043,877	\$ 2,223,777
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	353,451	326,220
Amortization of debt issuance costs	58,653	58,653
Amortization of operating lease right-of-use assets	505,250	-
Changes in operating assets and liabilities		
Grants receivable	233,280	(426,543)
Prepaid expenses	115,307	109,164
Accounts payable and accrued expenses	249,834	(15,210)
Accrued salaries and other payroll-related expenses	(171,824)	217,193
Operating lease liabilities	(505,250)	-
Refundable advances	223,925	53,637
Net cash provided by operating activities	<u>4,106,503</u>	<u>2,546,891</u>
Cash flows from investing activities		
Acquisition of fixed assets	<u>(14,551,202)</u>	<u>(8,626,202)</u>
Net cash used in investing activities	<u>(14,551,202)</u>	<u>(8,626,202)</u>
Net change in cash, cash equivalents and restricted cash	(10,444,699)	(6,079,311)
Cash, cash equivalents and restricted cash - beginning of year	<u>49,801,013</u>	<u>55,880,324</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$ 39,356,314</u></u>	<u><u>\$ 49,801,013</u></u>
Cash, cash equivalents and restricted cash as reported within the consolidated statements of financial position		
Cash and cash equivalents	\$ 9,587,252	\$ 8,745,924
Restricted cash and escrow reserves	<u>29,769,062</u>	<u>41,055,089</u>
	<u><u>\$ 39,356,314</u></u>	<u><u>\$ 49,801,013</u></u>
Supplemental disclosure		
Cash paid for interest (capitalized)	<u><u>\$ 2,088,619</u></u>	<u><u>\$ 2,036,403</u></u>

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 1 Organization

New World Preparatory Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Staten Island, New York. The School was granted a five-year charter in 2010 and commenced sixth grade classes in September 2010. Seventh and eighth grade classes were added in 2011 and 2012 school year. The School was granted the expansion from kindergarten to fifth grade under its second charter renewal for an additional five years effective January 9, 2018. In September 2018, fifth grade was added, followed by kindergarten and first grade in 2019. Second, third and fourth grades were subsequently added each year during 2020 to 2022, making it a kindergarten through eighth grade school. The School provides an exceptional education for students by employing research-proven strategies to raise middle school academic achievement including academic rigor and relevance, personalization, focused professional development, and meaningful engagement of families and the larger community. The School’s charter was renewed in 2023 for another 5 year term through July 31, 2028.

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

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

Note 2 Summary of significant accounting policies

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

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

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 Summary of significant accounting policies-(continued)

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

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

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

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

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

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

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

Grants receivable. Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the Organization's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$545,648 and \$778,928 at June 30, 2023 and 2022, respectively. There is no allowance recorded at June 30, 2023 and 2022 as all amounts are deemed collectible.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 Summary of significant accounting policies-(continued)

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

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

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

Construction-in-progress at June 30, 2023 and 2022 consists of costs incurred for architecture, engineering, and professional fees related to the construction of the Organization's new facility. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

Leases. As of July 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which was amended in some respects by subsequent ASUs, collectively Accounting Standards Codification 842 (ASC 842), and supersedes existing lease guidance. The standard requires the Organization to record operating lease right-of-use assets and corresponding lease liabilities on the statement of financial position and disclose key quantitative and qualitative information about lease contracts.

Under ASC 842, the Organization determines if a contract is a leasing arrangement at inception. Operating lease right-of-use assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses the risk-free rate of return. The Organization recognized operating lease expense for operating leases on a straight-line basis over the lease term.

The Organization rents spaces and office equipment under various non-cancelable operating leases. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 Summary of significant accounting policies-(continued)

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

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

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

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

The expenses that are allocated include the following:

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

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying consolidated financial statements.

The Organization is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2020.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022

Note 2 Summary of significant accounting policies-(continued)

Recently adopted accounting pronouncements. In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* that requires a lessee to recognize on the statement of financial position a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term, regardless of classification of a lease as an operating or finance lease. The Organization adopted ASU 2016-02 on July 1, 2022, using the modified retrospective approach for operating leases, with a term greater than 12 months. The Organization also elected the package of practical expedients permitted under the new standard that allowed the Organization to carry forward historical lease classification for existing leases on the adoption date, and allowed the Organization not to assess whether an existing contract contains a lease or initial direct costs. As permitted by the guidance, prior comparative periods will not be adjusted under this method.

The adoption of this standard resulted in recognition of operating lease right-of-use assets in the amount of \$2,798,817 and lease liabilities in the amount of \$2,798,817 for operating leases on the statement of financial position as of July 1, 2022. There was no material impact on the statements of activities, statements of functional expenses or statements of cash flows.

Note 3 Liquidity and availability

Financial Assets:	2023	2022
Cash and cash equivalents	\$ 9,587,252	\$ 8,745,924
Grants receivable	545,648	778,928
Amount available for general expenditure within one year	\$ 10,132,900	\$ 9,524,852

Note 4 Accrued salaries and other payroll-related expenses

Accrued salaries and other payroll-related expenses consist of amounts earned by the staff during the school year which are paid out over the summer months. For the years ended June 30, 2023 and 2022, accrued bonuses relating to a retention plan were approximately \$316,045 and \$354,960, respectively. Also included in accrued salaries and other payroll-related expenses is accrued salary of \$1,233,890 and \$1,366,799 as of June 30, 2023 and 2022, respectively.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022

Note 5 Property and equipment

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

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 1,430,142	1,430,142
Land	1,919,232	1,919,232
Building	959,356	959,356
Furniture and fixtures	371,485	245,790
Computer equipment	1,815,770	1,403,087
Office equipment	83,909	74,603
Construction-in-progress	<u>28,457,284</u>	<u>15,528,754</u>
	35,037,178	21,560,964
Less, accumulated depreciation	<u>(3,085,154)</u>	<u>(2,731,703)</u>
	<u>\$ 31,952,024</u>	<u>\$ 18,829,261</u>

Note 6 Restricted cash and escrow reserves

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

	<u>2023</u>	<u>2022</u>
Debt service reserve fund	2,915,196	2,876,322
Project fund	25,291,303	35,993,325
Capitalized interest fund	1,420,160	2,090,008
Repair and replacement fund	40,871	20,005
Reserve - contingency	101,532	75,429
	<u>\$ 29,769,062</u>	<u>\$ 41,055,089</u>

Note 7 Retirement plan

The Organization offers a 401(k) plan for all qualifying employees. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The Organization matches 100% of an employee's contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2023 and 2022, the Organization's matching contribution was \$188,327 and \$151,749, respectively. Such plan assets are held in a separate trust and are not included in the accompanying consolidated financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 8 Concentration of credit risk

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

The Organization received approximately 86% and 90% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York State Department of Education during the years ended June 30, 2023 and 2022, respectively. Additionally, the Organization's grants receivable as of June 30, 2023 and 2022 consists of 100% from the New York State Department of Education.

Note 9 Operating lease

The Organization rents spaces and office equipment under various non-cancelable operating leases.

The Organization determines if an arrangement is a lease at the inception of a contract, and recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

Operating expenses for the leasing activity of the Organization as lessee for the year ended June 30, 2023 are as follows:

Lease type	
Operating lease costs	\$ 585,313
Short-term lease costs	653,430
	<u>\$ 1,238,743</u>

For the years ended June 30, 2023 and 2022, rent expense was \$1,238,743 and \$1,074,300, respectively, and is included in occupancy, equipment and furnishings on the accompanying statements of functional expenses.

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2023, and a reconciliation to operating lease liabilities reported on the statements of financial position:

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

June 30, 2023 and 2022

Note 9 Operating lease - (continued)

2024	\$	793,613
2025		848,870
2026		302,949
2027		230,439
2028		233,607
2029 and thereafter		39,093
Total lease payments		<u>2,448,571</u>
Less interest		<u>(155,004)</u>
Present value of lease liabilities	\$	<u><u>2,293,567</u></u>

Operating lease terms and discount rate at June 30, 2023 are as follows:

Weighted average remaining lease term (years)	3.06
Weighted average discount rate	2.86%

The following summarizes cash paid for operating lease liabilities and other non-cash information as of June 30, 2023:

Cash paid for amounts included in measurement of operating lease liabilities	\$	585,313
Operating lease right-of-use assets obtained in exchange for operating lease obligations	\$	2,798,817

Note 10 Master lease

The School has entered into a master lease agreement with the Friends of NWP for its rental space for a period of 40 years commencing May 1, 2020. The School is required to pay rent as defined in the master lease agreement. The rent expense is calculated on a straight-line basis over the term of the lease. At June 30, 2023 and 2022, deferred rent payable in the amount of \$1,871,201 and \$1,712,882, respectively, represents the excess of the rent expense recognized over the actual rent paid. Rent expense under the master lease and deferred rent payable were eliminated on the consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

Note 11 Contingency

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

Note 12 Bonds payable

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

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 775,000
2025	820,000
2026	850,000
2027	885,000
2028	920,000
Thereafter	47,875,000
Total	<u>52,125,000</u>
Less: current portion	(775,000)
Add: unamortized bond issuance costs and issuance premium, net	1,554,214
Long-term bonds payable, net	<u><u>\$ 52,904,214</u></u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022

Note 13 Subsequent events

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through October 30, 2023, the date that the consolidated financial statements were available to be issued. There were no events requiring adjustments or disclosure to the consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position
As of June 30, 2023

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 7,687,621	\$ 1,899,631	\$ -	\$ 9,587,252
Grants receivable	545,648	-	-	545,648
Due from affiliate	-	3,889,417	(3,889,417)	-
Security deposits	33,333	-	-	33,333
Prepaid expenses	6,362	-	-	6,362
Deferred rents receivable	-	1,871,201	(1,871,201)	-
	<u>8,272,964</u>	<u>7,660,249</u>	<u>(5,760,618)</u>	<u>10,172,595</u>
Property and equipment, net	714,545	31,237,479	-	31,952,024
Operating lease right-of-use assets	1,253,181	1,040,386	-	2,293,567
Other assets				
Restricted cash and escrow reserves	101,532	29,667,530	-	29,769,062
	<u>101,532</u>	<u>29,667,530</u>	<u>-</u>	<u>29,769,062</u>
Total assets	<u>\$ 10,342,222</u>	<u>\$ 69,605,644</u>	<u>\$ (5,760,618)</u>	<u>\$ 74,187,248</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position - continued
As of June 30, 2023

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued expenses	\$ 641,636	\$ 64,685	\$ -	\$ 706,321
Construction costs payable	-	1,408,575	-	1,408,575
Due to affiliate	3,889,417	-	(3,889,417)	-
Deferred rents payable	1,871,201	-	(1,871,201)	-
Accrued salaries and other payroll-related expenses	1,549,935	-	-	1,549,935
Bonds payable - current portion	-	775,000	-	775,000
Short-term operating lease liabilities	243,842	484,099	-	727,941
Refundable advances	527,027	-	-	527,027
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	8,723,058	2,732,359	(5,760,618)	5,694,799
Long term liabilities				
Long-term operating lease liabilities	1,009,339	556,287	-	1,565,626
Bonds payable, net	-	52,904,214	-	52,904,214
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	9,732,397	56,192,860	(5,760,618)	60,164,639
Net assets				
Undesignated	508,293	13,412,784	-	13,921,077
Reserve - contingency	101,532	-	-	101,532
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets without donor restrictions	609,825	13,412,784	-	14,022,609
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 10,342,222</u>	<u>\$ 69,605,644</u>	<u>\$ (5,760,618)</u>	<u>\$ 74,187,248</u>

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

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

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

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidating Statement of Activities

For the year ended June 30, 2023

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating revenue and other support				
State and local per pupil operating revenue				
General education	\$ 13,077,805	\$ -	\$ -	\$ 13,077,805
Special education	2,789,385	-	-	2,789,385
Facility lease assistance	2,014,832	-	-	2,014,832
Total state and local per pupil operating revenue	<u>17,882,022</u>	<u>-</u>	<u>-</u>	<u>17,882,022</u>
Grants, contract and other support				
State and local grants	59,921	-	-	59,921
Federal grants	1,250,079	-	-	1,250,079
Contributions	255,628	-	-	255,628
Rental income	-	4,931,042	(4,931,042)	-
Interest and other income	275,680	1,012,765	-	1,288,445
Total operating revenue and other support	<u>19,723,330</u>	<u>5,943,807</u>	<u>(4,931,042)</u>	<u>20,736,095</u>
Expenses				
Program expenses				
Regular education	15,510,709	754,387	(3,698,282)	12,566,814
Special education	3,875,460	150,162	(887,588)	3,138,034
Total program expenses	<u>19,386,169</u>	<u>904,549</u>	<u>(4,585,870)</u>	<u>15,704,848</u>
Supporting services				
Management and general	2,174,184	58,395	(345,172)	1,887,407
Fundraising	9,963	90,000	-	99,963
Total program and supporting services expenses	<u>21,570,316</u>	<u>1,052,944</u>	<u>(4,931,042)</u>	<u>17,692,218</u>
Change in net assets	(1,846,986)	4,890,863	-	3,043,877
Net assets without donor restrictions - beginning of year	<u>2,456,811</u>	<u>8,521,921</u>	<u>-</u>	<u>10,978,732</u>
Net assets without donor restrictions - end of year	<u>\$ 609,825</u>	<u>\$ 13,412,784</u>	<u>\$ -</u>	<u>\$ 14,022,609</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidating Statement of Activities

For the year ended June 30, 2022

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Schedule of Debt Covenants

For the year ended June 30, 2023

	<u>Minimum Requirement</u>	<u>Actual</u>
Debt service coverage ratio	1.10	N/A
Days cash on hand	45	203

The debt service coverage ratio is calculated as follows:

Increase in net assets	\$ 3,043,877	
Add back: Interest expense	-	
Depreciation and amortization	412,104	
Net revenues available for debt service	<u>\$ 3,455,981</u>	
Debt service payments		
Interest expense	\$ 2,088,619	
Principal	-	
Less: capitalized interest	(2,088,619)	
Total current debt service	<u>\$ -</u>	
Net revenues available for debt service	<u>\$ 3,455,981</u>	= N/A
Total current debt service	<u>\$ -</u>	

The days cash on hand is calculated as follows:

Total expenses	\$ 17,692,218	
Less: Depreciation and amortization	(412,104)	
Net expenses	<u>17,280,114</u>	
Number of days	365	
Cash used per day	<u>\$ 47,343</u>	
Cash and cash equivalents at year end	<u>\$ 9,587,252</u>	=
Cash used per day	<u>\$ 47,343</u>	203

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education				
<u>Pass-through New York State Education Department:</u>				
Title I Grants to Local Educational Agencies	84.010A	0021-23-4810	\$ -	\$ 168,779
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	0147-23-4810	-	25,254
English Language Acquisition State Grants	84.365A	0293-23-4810	-	15,755
Student Support and Academic Enrichment program Education Stabilization Fund:	84.424A	0204-23-4810	-	9,146
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER2-CRRSA) Fund	84.425D	5891-21-4810	-	38,382
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER3-ARP) Fund	84.425U	5880-21-4810	-	277,921
Total for program			-	316,303
Total U.S. Department of Education			-	535,237
U.S. Department of Agriculture				
<u>Pass-through New York State Education Department:</u>				
School Breakfast Program	10.553	353100860984	-	99,667
National School Lunch Program	10.555	353100860984	-	375,156
Total Child Nutrition Cluster			-	474,823
Total U.S. Department of Agriculture			-	474,823
Total Expenditures of Federal Awards			\$ -	\$ 1,010,060

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Note 1 Basis of presentation

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

Note 2 Summary of significant accounting policies

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

Note 3 Indirect cost rate

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2023.

Report on internal control over financial reporting

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

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

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

Report on compliance and other matters

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

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York
October 30, 2023

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

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

Report on compliance for each major federal program

Opinion on each major federal program

We have audited New World Preparatory Charter School and Subsidiary’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of New World Preparatory Charter School and Subsidiary’s major federal programs for the year ended June 30, 2023. New World Preparatory Charter School and Subsidiary’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for opinion on each major federal program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of management for compliance

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

Auditor's responsibilities for the audit of compliance

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

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

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

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

Report on internal control over compliance

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

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

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

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

NChing LLP

New York, New York
October 30, 2023

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

Schedule I – Summary of Auditor’s Results

Financial statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

Federal awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Federal Assistance	
<u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I Grants to Local Educational Agencies
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER2-CRRSA) Fund
84.425U	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER3-ARP) Fund

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

Auditee qualified as low-risk auditee? ___ yes X no

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

Section II – Financial Statements findings

None

Section III - Federal award findings and questioned costs

None

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Corrective Action Plan

For the year ended June 30, 2023

Corrective action plan is not applicable for the year ended June 30, 2023.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2023

There were no prior audit findings.