

Middle Village Preparatory Charter School

Financial Statements

June 30, 2023 and 2022

Independent Auditors' Report

Board of Trustees
Middle Village Preparatory Charter School

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Policy

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023 on our consideration of the School'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 the School'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 the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

October 19, 2023

Middle Village Preparatory Charter School

Statements of Financial Position

	June 30	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 2,216,905	\$ 4,578,772
Grants and accounts receivable	1,476,483	205,997
Investments	13,097,070	9,148,836
Prepaid expenses and other assets	58,650	57,532
Restricted cash	75,899	75,227
Right-of-use asset, net	10,631,835	-
Property and equipment, net	<u>787,551</u>	<u>674,145</u>
	<u>\$ 28,344,393</u>	<u>\$ 14,740,509</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 623,939	\$ 445,128
Operating lease liability	<u>10,905,884</u>	<u>-</u>
Total Liabilities	<u>11,529,823</u>	<u>445,128</u>
 Net Assets Without Donor Restrictions		
Undesignated	2,324,356	3,759,196
Board designated	<u>14,490,214</u>	<u>10,536,185</u>
Total Net Assets Without Donor Restrictions	<u>16,814,570</u>	<u>14,295,381</u>
	<u>\$ 28,344,393</u>	<u>\$ 14,740,509</u>

See notes to financial statements

Middle Village Preparatory Charter School

Statements of Activities

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT		
Public School District -		
State and local per pupil operating revenue	\$ 7,653,265	\$ 7,201,664
Government grants and contracts	3,055,867	1,839,896
Interest and dividend revenue	396,517	222,560
Net realized and unrealized gain (loss) on investments	56,370	(1,471,929)
Other income	5,458	36,594
Total Revenue and Support	<u>11,167,477</u>	<u>7,828,785</u>
 EXPENSES		
Program services	7,697,373	5,783,247
Management and general	950,915	955,405
Total Expenses	<u>8,648,288</u>	<u>6,738,652</u>
 Change in Net Assets	2,519,189	1,090,133
 NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	<u>14,295,381</u>	<u>13,205,248</u>
 End of year	<u>\$ 16,814,570</u>	<u>\$ 14,295,381</u>

See notes to financial statements

Middle Village Preparatory Charter School

Statement of Functional Expenses Year Ended June 30, 2023

	No. of Positions	No. of Students	2023				2022
			Program Services			Management and General	Total
			General Education	Special Education	Total		
		405	366	39			
Personnel Services Costs							
Administrative staff personnel	7		\$ 336,008	\$ 210,005	\$ 546,013	\$ 294,007	\$ 840,020
Instructional personnel	27		1,660,849	614,117	2,274,966	-	2,274,966
Non-instructional personnel	1		45,238	4,520	49,758	-	49,758
Total Personnel Services Costs	35		2,042,095	828,642	2,870,737	294,007	3,164,744
Fringe benefits and payroll taxes			251,370	102,001	353,371	36,190	389,561
Retirement			68,983	27,992	96,975	9,932	106,907
Legal service			-	-	-	3,145	3,145
Accounting/audit services			-	-	-	75,116	75,116
Building and land rent/lease			1,477,278	599,451	2,076,729	212,688	2,289,417
Repairs and maintenance			43,158	17,513	60,671	6,214	66,885
Insurance			154,803	62,816	217,619	22,288	239,907
Supplies/materials			135,519	13,540	149,059	-	149,059
Equipment/furnishings			43,321	17,579	60,900	6,237	67,137
Staff development			164,350	16,420	180,770	-	180,770
Marketing and recruitment			61,009	23,093	84,102	8,001	92,103
Technology			29,027	11,779	40,806	4,179	44,985
Food service			217,413	88,222	305,635	31,302	336,937
Student services			570,730	72,416	643,146	351	643,497
Office expense			14,193	5,759	19,952	2,043	21,995
Depreciation and amortization			272,534	110,589	383,123	39,240	422,363
Other			129,151	24,627	153,778	199,982	353,760
Total Expenses			\$ 5,674,934	\$ 2,022,439	\$ 7,697,373	\$ 950,915	\$ 8,648,288

See notes to financial statements

Middle Village Preparatory Charter School

Statement of Functional Expenses Year Ended June 30, 2022

	No. of Positions	No. of Students	Program Services			Management and General	Total
			General Education	Special Education	Total		
		397	357	40			
Personnel Services Costs							
Administrative staff personnel	7		\$ 324,132	\$ 202,582	\$ 526,714	\$ 283,615	\$ 810,329
Instructional personnel	27		1,518,905	580,016	2,098,921	-	2,098,921
Non-instructional personnel	1		11,598	1,302	12,900	-	12,900
Total Personnel Services Costs	35		1,854,635	783,900	2,638,535	283,615	2,922,150
Fringe benefits and payroll taxes			253,545	107,569	361,114	38,971	400,085
Retirement			73,235	31,071	104,306	11,257	115,563
Legal service			-	-	-	3,027	3,027
Accounting/audit services			-	-	-	75,933	75,933
Building and land rent/lease			962,611	408,398	1,371,009	147,959	1,518,968
Repairs and maintenance			36,403	15,444	51,847	5,595	57,442
Insurance			116,160	49,282	165,442	17,854	183,296
Supplies/materials			156,855	17,611	174,466	-	174,466
Equipment/furnishings			45,180	19,168	64,348	6,944	71,292
Staff development			46,898	5,265	52,163	-	52,163
Marketing and recruitment			30,030	12,264	42,294	4,381	46,675
Technology			19,616	8,322	27,938	3,015	30,953
Food service			119,998	50,910	170,908	18,444	189,352
Student services			42,596	23,182	65,778	289,188	354,966
Office expense			16,799	7,127	23,926	2,582	26,508
Depreciation and amortization			248,749	105,535	354,284	38,231	392,515
Other			87,844	27,045	114,889	8,409	123,298
Total Expenses			<u>\$ 4,111,154</u>	<u>\$ 1,672,093</u>	<u>\$ 5,783,247</u>	<u>\$ 955,405</u>	<u>\$ 6,738,652</u>

See notes to financial statements

Middle Village Preparatory Charter School

Statements of Cash Flows

	Year Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from per pupil operating revenue and government grants and contracts	\$ 9,438,646	\$ 8,934,024
Cash receipts from interest and dividend revenue	396,517	222,560
Other income	5,458	36,594
Total Cash Received	9,840,621	9,193,178
 Cash paid for payroll and benefits	 3,671,714	 3,556,306
Cash paid to vendors	4,102,469	2,545,826
Total Cash Paid	7,774,183	6,102,132
 Net Cash from Operating Activities	 2,066,438	 3,091,046
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(13,887,028)	(5,672,394)
Sale of investments	9,995,164	1,454,048
Purchases of property and equipment	(535,769)	(221,975)
Net Cash from Investing Activities	(4,427,633)	(4,440,321)
 Net Change in Cash, Cash Equivalents and Restricted Cash	 (2,361,195)	 (1,349,275)
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	4,653,999	6,003,274
End of year	\$ 2,292,804	\$ 4,653,999

See notes to financial statements

Middle Village Preparatory Charter School

Notes to Financial Statements

June 30, 2023 and 2022

1. Nature of the Organization and Tax Status

Middle Village Preparatory Charter School (the "School") is a public charter school whose mission is to prepare students with the academic skills, strength of character and social and emotional well-being to excel in high school and college, to lead in their communities and to realize their best possible selves.

The School operates in Middle Village, New York. On January 1, 2013, the Board of Regents of the University of the State of New York (the "Board of Regents") granted the School a provisional charter valid for a term of five years and renewable upon expiration. During the year ended June 30, 2023, the Board of Regents renewed the School's charter for a period of five years expiring July 31, 2028. The School opened with its first academic year in the fall of 2013 and provided education to 405 and 397 students in sixth through eighth grade during the 2022-2023 and 2021-2022 academic years.

The School's primary sources of revenue are from state and local per pupil operating revenue and other government funding.

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Adoption of New Accounting Pronouncement

Leases

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

The School elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital (now finance) 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.

Middle Village Preparatory Charter School

Notes to Financial Statements

June 30, 2023 and 2022

2. Significant Accounting Policies (*continued*)

Adoption of New Accounting Pronouncement (continued)

Leases (continued)

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the School recognized a lease liability of \$12,551,652, that represents the present value of the remaining operating lease payments of \$13,710,956, discounted with risk free interest rates using the treasury bond rate for 7 years of 2.92% and 5 years of 2.88%, and a right of use ("ROU") asset of \$12,577,196, that represents the discounted operating lease liability of \$12,551,652, adjusted for prepaid rent of \$25,544.

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

Net Asset Presentation

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

Without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and Board of Trustees. Board designated net assets were established by the Board of Trustees to provide a cash and cash equivalents reserve for unforeseen operating and capital expenses.

With donor restrictions - represent amounts restricted by donors for specific activities of the School or to be used at some future date and amounts restricted by donors to be maintained in perpetuity. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, when restrictions on net assets with donor restricted contributions are met in the same accounting period in which they are received, such amounts are reported as net assets without donor restriction.

The School had no net assets with donor restrictions at June 30, 2023 and 2022.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt investments, with a maturity of three months or less at the time of purchase.

Middle Village Preparatory Charter School

Notes to Financial Statements

June 30, 2023 and 2022

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

Fair Value Measurements

The School follows U.S. GAAP guidance on fair value measurements, which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable, either directly or indirectly, with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Investments are carried at fair value.

Restricted Cash

Included in restricted cash is an escrow fund of \$75,899 as of June 30, 2023 and \$75,227 as of June 30, 2022 to cover debts in the event of the School's dissolution. According to Section 2851(2)(t) of the Charter School Law, the School must maintain no less than \$75,000 in an escrow account.

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,216,905	\$ 4,578,772
Restricted cash	<u>75,899</u>	<u>75,227</u>
	<u>\$ 2,292,804</u>	<u>\$ 4,653,999</u>

Property and Equipment

Property and equipment is recorded at cost. Additions and improvements or betterments in excess of \$1,000 with an estimated useful life of more than three years are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or term of the related lease. Property and equipment acquired with certain government contract funds are recorded as expenses when the government retains title to such assets.

Middle Village Preparatory Charter School

Notes to Financial Statements

June 30, 2023 and 2022

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

Impairment of Long-Lived Assets

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were required to be recognized at June 30, 2023 or 2022.

Revenue Recognition

Revenue from state and local governments under the charter agreement is based on the number of students enrolled and recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts is recognized by the School when qualifying expenditures are incurred. Funds received in advance for which qualifying expenditures have not been incurred are reflected as deferred revenue in the accompanying statements of financial position.

The School follows U.S. GAAP guidance on accounting for contributions received and contributions made.

A number of volunteers have made a contribution of their time to the School to develop its programs and to serve on the School's Board of Trustees. The value of such contributed time is not reflected in these financial statements because it does not meet the criteria for recognition.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade date basis. Interest revenue is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Functional Expenses

The financial statements report certain categories of expenses that are attributable 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 are allocated on the basis of estimates of time and effort. Such expenses include personnel services costs, fringe benefits and payroll taxes, and building and land rent/lease.

Middle Village Preparatory Charter School

Notes to Financial Statements

June 30, 2023 and 2022

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

Functional Expenses (continued)

Expenses are classified according to the functional categories for which they are incurred, as follows:

General Education Program Services – represents expenses directly associated with general education.

Special Education Program Services – represents expenses directly associated with special education for certain students requiring additional attention and guidance.

Management and General – represents expenses related to the overall administration and operation of the School that are not associated with any educational services or fundraising.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment costs for the years ended June 30, 2023 and 2022 was \$92,103 and \$46,675.

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities on the accompanying statement of financial position. The School made the short-term lease election for leases with an initial term of less than 12 months. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets. For the year ended June 30, 2022, U.S. GAAP guidance stated rent shall be charged to expense over the lease term as it became payable. If rental payments are not made on a straight-line basis, rental expense shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. The difference between the straight-line rent expense and rent paid is reflected within prepaid expenses and other assets in the statements of financial position as of June 30, 2022.

Middle Village Preparatory Charter School

Notes to Financial Statements

June 30, 2023 and 2022

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

Accounting for Uncertainty in Income Taxes

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

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through October 19, 2023, which is the date that the financial statements were available to be issued.

3. Concentration of Credit Risk and Revenue

Financial instruments that potentially subject the School to concentrations of credit risk consists primarily of cash and cash equivalents, investments, and grants and accounts receivable. At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation's Insurance limits. As of June 30, 2023 and 2022, the uninsured portion of this balance was \$1,468,928 and \$4,081,998. The investment portfolio is diversified by types of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of risk.

The School receives a majority of its revenues from the New York State Education Department through the Charter Schools Institute of the State of New York. The Charter Schools Institute of the State of New York provides general operating support to the School based upon the location and the number of students enrolled. State and local per pupil education and special education revenue provided to the School totaled \$7,653,265 and \$7,201,664 for the years ended June 30, 2023 and 2022. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances would be materially adversely affected.

The School entered into contractual arrangements with certain governmental funding sources. The governmental agencies may request a return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund, because management does not believe that there are any liabilities to be recorded.

4. Grants and Accounts Receivable

Grants and accounts receivable are deemed to be fully collectible by management and consist of income from the federal government and New York State.

Middle Village Preparatory Charter School

Notes to Financial Statements

June 30, 2023 and 2022

5. Employee Retention Credit

During 2020 and 2021, the School qualified for the Employee Retention Credit ("ERC"), which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specific threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. The School has recognized the ERC revenue and corresponding receivable in the amount of \$860,742 as of and for the year ended June 30, 2023. The ERC revenue is included within government grants and contracts in the accompanying 2023 statement of activities, and the corresponding receivable is included within grants and accounts receivable in the accompanying 2023 statement of financial position. The Employee Retention Credit receivable was collected during July 2023. The ERC remains subject to audit by government authorities until 2025.

6. Investments

Major categories of investments categorized by the fair value hierarchy are as follows at June 30:

	2023			2022	
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total	Quoted Price in Active Markets for Identical Assets (Level 1)	Total
Exchange-traded funds and closed-end funds	\$ 1,085,478	\$ -	\$ 1,085,478	\$ 1,738,291	\$ 1,738,291
Corporate bonds	804,957	-	804,957	267,705	267,705
Common stocks	2,234,701	-	2,234,701	2,136,229	2,136,229
Government securities	-	2,767,250	2,767,250	-	-
Unit investment trusts	-	119,892	119,892	-	-
Variable annuity	-	509,808	509,808	-	-
Money market funds	22,315	-	22,315	-	-
Mutual funds	1,047,755	-	1,047,755	841,944	841,944
	<u>\$ 5,195,206</u>	<u>\$ 3,396,950</u>	8,592,156	<u>\$ 4,984,169</u>	4,984,169
Cash equivalents, at cost			655,824		4,164,667
Certificates of deposit, at cost			3,849,090		-
			<u>\$ 13,097,070</u>		<u>\$ 9,148,836</u>

During the years ended June 30, 2023 and 2022, there were no transfers in or out of Levels 1, 2 or 3 of the fair value hierarchy.

Middle Village Preparatory Charter School

Notes to Financial Statements June 30, 2023 and 2022

7. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Computers and other equipment	\$ 1,474,342	\$ 1,416,747	3
Furniture and fixtures	428,127	407,921	7
Leasehold improvements	<u>2,003,048</u>	<u>1,545,080</u>	5
	3,905,517	3,369,748	
Accumulated depreciation and amortization	<u>(3,117,966)</u>	<u>(2,695,603)</u>	
	<u>\$ 787,551</u>	<u>\$ 674,145</u>	

8. Board Designated Net Assets

For the years ended June 30, 2023 and 2022, the School designated \$3,954,029 and \$2,749,000 as an additional reserve for future capital projects.

The board designated net assets activity for the years ended June 30, 2023 and 2022 is as follows:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Released</u>	<u>Balance June 30, 2023</u>
Future capital projects	<u>\$ 10,536,185</u>	<u>\$ 3,954,029</u>	<u>\$ -</u>	<u>\$ 14,490,214</u>
	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Released</u>	<u>Balance June 30, 2022</u>
Future capital projects	<u>\$ 7,786,285</u>	<u>\$ 2,749,900</u>	<u>\$ -</u>	<u>\$ 10,536,185</u>

Middle Village Preparatory Charter School

Notes to Financial Statements

June 30, 2023 and 2022

9. Liquidity and Availability of Financial Resources

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

	2023	2022
Cash and cash equivalents	\$ 2,216,905	\$ 4,578,772
Grants and accounts receivable	1,476,483	205,997
Investments	13,097,070	9,148,836
Total Financial Assets	16,790,458	13,933,605
Less amounts unavailable for general expenditure:		
Board designated net assets	14,490,214	10,536,185
Financial Assets at Year End Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 2,300,244</u>	<u>\$ 3,397,420</u>

Liquidity Management

As part of its liquidity management plan, the School invests cash in excess of daily requirements in short-term investments. Although the School does not intend to spend from its board designated net assets other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation, amounts could be made available if necessary.

10. Operating Leases

Effective July 1, 2018, the School renewed its sublease agreement for a period of five years terminating on June 30, 2023. The sublease may be renewed for an additional five years with the same terms. The rate of rent will increase during the term of the lease by approximately 1% annually.

Effective July 1, 2023, the School renewed its sublease agreement for a period of five years terminating on June 30, 2028. The sublease may be renewed for an additional five years with the same terms. The rate of rent will increase during the term of the lease by approximately 3% annually.

ROU asset consists of the following at June 30, 2023:

ROU asset	\$ 12,577,196
Accumulated amortization	(1,945,361)
	<u>\$ 10,631,835</u>

Middle Village Preparatory Charter School

Notes to Financial Statements June 30, 2023 and 2022

10. Operating Leases (*continued*)

Weighted average remaining lease term	5 years
Weighted average discount rate	2.90%

The rental expense totaled \$2,289,417 and \$1,518,368 for the years ended June 30, 2023 and 2022. Cash paid for the lease amounted to \$1,989,824 and \$1,225,084 for the years ended June 30, 2023 and 2022. There were no care and maintenance fees for the years ended June 30, 2023 and 2022.

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

2024	\$ 2,204,004
2025	2,272,044
2026	2,342,124
2027	2,414,304
2028	<u>2,488,656</u>
Total minimum lease payments	11,721,132
Present value discount	<u>(815,248)</u>
Present value of lease liability	<u>\$ 10,905,884</u>

11. Employee Benefit Plan

The School maintains a deferred compensation plan for all qualified employees. The School elects to make contributions to the plan on a discretionary basis. For the years ended June 30, 2023 and 2022, the School expended and contributed \$106,907 and \$115,563 to the plan.

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

Independent Auditors' Report

**Board of Trustees
Middle Village Preparatory Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Middle Village Preparatory Charter School (the "School"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

PKF O'Connor Davies, LLP

October 19, 2023

Middle Village Preparatory Charter School

Auditors' Communication on Internal Control

June 30, 2023

Board of Trustees
Middle Village Preparatory Charter School

Auditors' Communication on Internal Control

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

New York, New York
October 19, 2023

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