

Capital Prep Charter Schools NY

Financial Statements

June 30, 2025 and 2024

Independent Auditors' Report

Board of Trustees
Capital Prep Charter Schools NY

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Capital Prep Charter Schools NY (the "School") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2025 on pages 18 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025, 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

Harrison, New York
October 30, 2025

Capital Prep Charter Schools NY

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current Assets		
Cash	\$ 4,732,443	\$ 5,781,742
Grants and contracts receivable	689,684	647,960
Prepaid expenses and other current assets	242,384	128,483
Due from related party	500,587	-
Total Current Assets	6,165,098	6,558,185
Right of use assets - operating leases, net	68,281,086	71,462,403
Property and equipment, net	1,484,156	1,843,882
Security deposits	1,402,000	1,402,000
Restricted cash	150,000	150,000
	\$ 77,482,340	\$ 81,416,470
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 433,061	\$ 300,865
Refundable advances	221,549	29,643
Due to related party	1,035,361	970,169
Lease liabilities - operating leases, current portion	2,099,312	1,816,915
Total Current Liabilities	3,789,283	3,117,592
Promissory note, related party	-	200,000
Lease liabilities - operating leases	68,738,825	71,235,655
Total Liabilities	72,528,108	74,553,247
Net assets, without donor restrictions	4,954,232	6,863,223
	\$ 77,482,340	\$ 81,416,470

Capital Prep Charter Schools NY

Statements of Activities

	Year Ended June 30,	
	2025	2024
OPERATING REVENUE		
State and Local Per Pupil Operating Revenue		
General education	\$ 12,577,797	\$ 12,106,588
Special education	1,759,766	1,843,519
Lease assistance	3,735,052	2,869,565
Federal grants	1,154,459	1,273,888
Federal IDEA and E-Rate	252,761	277,904
State grants	65,777	82,006
Total Operating Revenue	19,545,612	18,453,470
EXPENSES		
Program Services		
Regular education	11,860,338	9,830,986
Special education	2,814,650	2,317,638
Total Program Services	14,674,988	12,148,624
Supporting Services		
Management and general	1,022,974	964,880
Fundraising	3,551	10,115
Total Expenses Before Depreciation, Amortization and Operating Lease Cost	15,701,513	13,123,619
Surplus from Operations Before Depreciation, Amortization and Operating Lease Cost	3,844,099	5,329,851
Depreciation and amortization	504,633	528,588
Operating lease cost	5,507,875	5,469,258
	6,012,508	5,997,846
(Deficit) from Operations	(2,168,409)	(667,995)
SUPPORT AND OTHER REVENUE		
Grants and contributions	182,182	-
Gain on termination of lease	77,236	-
Total Support and Other Revenue	259,418	-
Change in Net Assets	(1,908,991)	(667,995)
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	6,863,223	7,531,218
End of year	\$ 4,954,232	\$ 6,863,223

See notes to financial statements

Capital Prep Charter Schools NY

Statement of Functional Expenses
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	14	\$ 885,525	\$ 153,264	\$ 1,038,789	\$ 343,173	\$ 3,244	\$ 1,385,206
Instructional personnel	48	3,042,903	803,926	3,846,829	-	-	3,846,829
Non-instructional personnel	<u>6</u>	<u>397,420</u>	<u>82,683</u>	<u>480,103</u>	<u>-</u>	<u>-</u>	<u>480,103</u>
Total Personnel Services Costs	<u>68</u>	<u>4,325,848</u>	<u>1,039,873</u>	<u>5,365,721</u>	<u>343,173</u>	<u>3,244</u>	<u>5,712,138</u>
Fringe benefits and payroll taxes		901,119	242,171	1,143,290	87,366	183	1,230,839
Retirement		53,017	14,965	67,982	4,252	21	72,255
Management company fees		1,573,281	332,489	1,905,770	59,482	-	1,965,252
Legal services		-	-	-	70,850	-	70,850
Accounting/audit services		-	-	-	79,069	-	79,069
Other purchased/professional/consulting services		1,596,714	237,817	1,834,531	16,468	6	1,851,005
Building/facility operating expenses		1,250,489	408,580	1,659,069	178,791	-	1,837,860
Repairs and maintenance		544,973	168,959	713,932	75,689	-	789,621
Insurance		57,450	18,238	75,688	8,132	-	83,820
Utilities		13,588	4,475	18,063	1,598	3	19,664
Supplies/materials		257,918	51,115	309,033	525	-	309,558
Equipment/furnishings		109,072	22,737	131,809	263	-	132,072
Staff development		89,351	20,499	109,850	5,409	-	115,259
Marketing/recruitment		31,547	7,490	39,037	2,387	5	41,429
Technology		245,885	73,718	319,603	20,852	84	340,539
Food services		496,556	100,439	596,995	-	-	596,995
Student services		272,288	59,849	332,137	-	-	332,137
Office expense		31,458	8,478	39,936	47,509	5	87,450
Other expenses		<u>9,784</u>	<u>2,758</u>	<u>12,542</u>	<u>21,159</u>	<u>-</u>	<u>33,701</u>
Total Expenses Before Depreciation, Amortization and Operating Lease Cost		<u>11,860,338</u>	<u>2,814,650</u>	<u>14,674,988</u>	<u>1,022,974</u>	<u>3,551</u>	<u>15,701,513</u>
Depreciation and amortization		399,237	98,713	497,950	6,198	485	504,633
Operating lease cost		<u>3,610,930</u>	<u>1,353,758</u>	<u>4,964,688</u>	<u>543,187</u>	<u>-</u>	<u>5,507,875</u>
		<u>4,010,167</u>	<u>1,452,471</u>	<u>5,462,638</u>	<u>549,385</u>	<u>485</u>	<u>6,012,508</u>
Total Expenses		<u>\$ 15,870,505</u>	<u>\$ 4,267,121</u>	<u>\$ 20,137,626</u>	<u>\$ 1,572,359</u>	<u>\$ 4,036</u>	<u>\$ 21,714,021</u>

See notes to financial statements

Capital Prep Charter Schools NY

Statement of Functional Expenses
Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	12	\$ 756,302	\$ 152,082	\$ 908,384	\$ 378,129	\$ 2,231	\$ 1,288,744
Instructional personnel	50	3,117,172	769,771	3,886,943	-	-	3,886,943
Non-instructional personnel	7	381,691	83,965	465,656	-	-	465,656
Total Personnel Services Costs	<u>69</u>	4,255,165	1,005,818	5,260,983	378,129	2,231	5,641,343
Fringe benefits and payroll taxes		856,110	243,140	1,099,250	81,006	193	1,180,449
Retirement		29,206	8,648	37,854	2,550	10	40,414
Management company fees		1,453,555	323,801	1,777,356	68,822	-	1,846,178
Legal services		-	-	-	81,171	-	81,171
Accounting/audit services		-	-	-	75,573	-	75,573
Other purchased/professional/consulting services		932,986	124,837	1,057,823	2,506	7	1,060,336
Building/facility operating expenses		36,254	13,263	49,517	5,503	-	55,020
Repairs and maintenance		717,480	232,559	950,039	126,006	7,648	1,083,693
Insurance		52,631	16,924	69,555	7,728	-	77,283
Utilities		19,671	6,464	26,135	2,311	5	28,451
Supplies/materials		284,521	62,767	347,288	7,109	-	354,397
Equipment/furnishings		105,826	22,702	128,528	1,276	-	129,804
Staff development		48,169	11,317	59,486	17,539	-	77,025
Marketing/recruitment		59,113	14,853	73,966	2,648	9	76,623
Technology		277,559	85,324	362,883	27,171	8	390,062
Food services		556,922	114,473	671,395	-	-	671,395
Student services		98,795	18,712	117,507	-	-	117,507
Office expense		23,869	6,612	30,481	65,048	4	95,533
Other expenses		23,154	5,424	28,578	12,784	-	41,362
Total Expenses Before Depreciation, Amortization and Operating Lease Cost		<u>9,830,986</u>	<u>2,317,638</u>	<u>12,148,624</u>	<u>964,880</u>	<u>10,115</u>	<u>13,123,619</u>
Depreciation and amortization		421,706	105,491	527,197	1,382	9	528,588
Operating lease cost		3,615,179	1,307,154	4,922,333	546,925	-	5,469,258
		<u>4,036,885</u>	<u>1,412,645</u>	<u>5,449,530</u>	<u>548,307</u>	<u>9</u>	<u>5,997,846</u>
Total Expenses		<u>\$ 13,867,871</u>	<u>\$ 3,730,283</u>	<u>\$ 17,598,154</u>	<u>\$ 1,513,187</u>	<u>\$ 10,124</u>	<u>\$ 19,121,465</u>

See notes to financial statements

Capital Prep Charter Schools NY

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,908,991)	\$ (667,995)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	504,633	528,588
Amortization of right of use assets - operating leases	3,224,937	3,131,048
Gain on termination of lease	(77,236)	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(41,724)	654,117
Prepaid expenses and other current assets	(113,901)	(76,497)
Security deposits	-	(260,000)
Accounts payable and accrued expenses	132,196	(79,997)
Refundable advances	191,906	(29,568)
Due to related party	65,192	270,744
Due from related party	(500,587)	-
Operating lease liabilities	<u>(2,180,817)</u>	<u>(2,755,308)</u>
Net Cash from Operating Activities	<u>(704,392)</u>	<u>715,132</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	<u>(144,907)</u>	<u>(120,806)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of promissory note, related party	(200,000)	-
Principal payments on finance lease liability	<u>-</u>	<u>(5,645)</u>
Net Cash from Financing Activities	<u>(200,000)</u>	<u>(5,645)</u>
Net Change in Cash and Restricted Cash	(1,049,299)	588,681
CASH AND RESTRICTED CASH		
Beginning of year	<u>5,931,742</u>	<u>5,343,061</u>
End of year	<u>\$ 4,882,443</u>	<u>\$ 5,931,742</u>

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Tax Status

Capital Prep Charter Schools NY is a New York State, not-for-profit educational corporation operating in New York City pursuant to Article 56 of the Education Law of the State of New York. The accompanying financial statements include the following charter schools, collectively referred to as the "School":

Capital Preparatory Bronx Charter School ("CP Bronx") is a New York State, not-for-profit educational corporation that was incorporated on October 4, 2018 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. CP Bronx was granted a provisional charter on October 4, 2018 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (the "Board of Regents"). CP Bronx opened in the fall of 2020. The Board of Regents approved and issued renewals to CP Bronx's charter expiring on July 31, 2030.

Capital Preparatory Harlem Charter School ("CP Harlem") was a New York State, not-for-profit educational corporation that was incorporated on November 18, 2014 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. CP Harlem was granted a provisional charter on November 18, 2014 valid for a term of five years and renewable upon expiration by the Board of Regents. Effective July 1, 2019, CP Harlem's charter was amended and restated to merge CP Harlem and CP Bronx into a single not-for-profit legal entity. The Board of Regents approved and issued several renewals to CP Harlem's charter expiring on June 30, 2026.

On January 5, 2025, the Board of Regents approved an amendment to the original charter to operate Capital Preparatory Charter School New Rochelle ("CP New Rochelle"). The School was granted a provisional charter on January 5, 2025 for CP New Rochelle, valid for a term of five years and renewable upon expiration by the Board of Regents. The charter will expire on July 31, 2030. CP New Rochelle is expected to open in the fall of 2026. Minor start-up costs were incurred during 2025.

CP Bronx and CP Harlem merged into a single not-for-profit legal entity under CP Bronx, which serves as the sole surviving educational corporation. The plan of merger of CP Harlem was approved by the State University of New York Charter School Committee on June 14, 2019, and became effective for financial purposes on July 1, 2019. Each of the three schools is authorized by the Charter Schools Institute of the State University of New York under CP Bronx's provisional charter, as amended to effect the merger, and the surviving entity's name was changed to Capital Prep Charter Schools NY.

The School's mission is to provide historically disadvantaged students with the college and career readiness skills needed to become responsible and engaged citizens for social justice. The School provided education to approximately 651 students in grades sixth through twelfth during the 2024-2025 academic year.

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

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

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:

Net Assets Without Donor Restrictions – Net assets available for use in general support of the School’s operations and not subject to donor or grantor restrictions. Net assets without donor restrictions may be used at the discretion of the School’s management and Board of Trustees.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions for specific activities of the School or to be used at some future date. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The School had no donor restricted net assets at June 30, 2025 and 2024.

Restricted Cash

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

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

	2025	2024
Cash	\$ 4,732,443	\$ 5,781,742
Restricted cash	150,000	150,000
	<u>\$ 4,882,443</u>	<u>\$ 5,931,742</u>

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2025 and 2024

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

Property and Equipment

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

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

Furniture and fixtures	7 years
Computers and equipment	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value less costs to sell. There were no asset impairments for the years ended June 30, 2025 and 2024.

Leases

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

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

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2025 and 2024

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

Revenue and Support

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

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

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2025 and 2024 were \$41,429 and \$76,623.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities consist grants and contributions and gain on termination of lease.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses, such as personnel services costs, fringe benefits and payroll taxes, other purchased, professional and consulting services, and building and land rent/lease have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for the years prior to June 30, 2022.

Reclassification

Certain 2024 accounts have been reclassified to conform to the 2025 financial statement presentation. The reclassifications had no effect on previously reported change in net assets or net assets.

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2025 and 2024

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

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 30, 2025.

3. Grants and Contracts Receivable

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

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	2025	2024
Furniture and fixtures	\$ 1,336,963	\$ 1,336,963
Computers and equipment	2,244,475	2,112,568
Leasehold improvements	1,037,550	1,037,550
Construction in progress	<u>13,000</u>	<u>-</u>
	4,631,988	4,487,081
Accumulated depreciation and amortization	<u>(3,147,832)</u>	<u>(2,643,199)</u>
	<u>\$ 1,484,156</u>	<u>\$ 1,843,882</u>

Construction in progress at June 30, 2025 consisted of soft costs associated with the expansion of CP Bronx.

5. Liquidity and Availability of Financial Assets

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

	2025	2024
Cash	\$ 4,732,443	\$ 5,781,742
Grants and contracts receivable	<u>689,684</u>	<u>647,960</u>
	<u>\$ 5,422,127</u>	<u>\$ 6,429,702</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see Note 8).

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2025 and 2024

6. Related Party Transactions (not disclosed elsewhere)

The School is related to Capital Preparatory Schools, Inc. ("CPS"), a Connecticut non-stock corporation, by common management.

During fiscal 2017 and as amended subsequently, the School entered into a full service agreement with CPS to undertake, on its behalf, functions in regards to business, administrative, and academic services of the School which expire on June 30, 2026 for CP Harlem, on July 31, 2030 for CP Bronx, and on June 30, 2031 for CP New Rochelle and shall continue thereafter for five year terms to run concurrent with each of the schools' respective charters. As compensation to CPS for these services rendered, during the years ended June 30, 2025 and 2024, the School paid to CPS an amount equal to 10% of the School's gross revenues, which is defined under the full service agreement as funding provided by state, federal, and local government (if applicable) but shall exclude any competitive public grants and private grant funding awarded to the School. For the years ended June 30, 2025 and 2024, the School incurred \$1,965,252 and \$1,846,178 in management fees to CPS, along with \$100,652 and \$396,971 of net operating expenses paid by CPS on behalf of the School. Net balance due to CPS from the School was \$1,035,361 and \$970,169 at June 30, 2025 and 2024.

On March 25, 2019, the School entered into a promissory note payable with CPS in the amount of \$500,000 to fund the security deposit under a lease agreement for space located at 1660 Boone Avenue, Bronx, New York. The note was paid in full during the year ended June 30, 2025.

The School is related to Friends of Capital Preparatory Harlem Charter School, Inc. ("FOCPHCS"), a New York not-for-profit organization, by one common Board member. There were no transactions with FOCPHCS for the years ended June 30, 2025 and 2024, except for payments made under a sublease agreement signed March 26, 2021 (see Note 9). Effective July 1, 2024, this sublease agreement was assigned to Friends of Capital Preparatory Charter School New York, Inc. ("Friends").

The School is related to Friends, a New York not-for-profit organization, by common management and one common Board member.

Friends entered into a lease agreement with Co-Op City Charter School Owner LLC (the "Landlord") for space at 801 Co-Op City. The School paid a security deposit in the amount of \$250,000 under this lease. Effective July 1, 2024, the School assigned this lease to Friends. The School and the Landlord are currently negotiating the return of the security deposit to the School.

Effective July 1, 2024, the School assigned its master lease for the premises at 755 Co-Op City Boulevard, Bronx, NY to Friends and concurrently entered into a sublease of the same space from Friends for a two-year term ending June 29, 2026 (see Note 9). Under the terms of the assignment, the School provided a guaranty of Friends' obligations under the master lease.

Net balance due from Friends to the School was \$500,587 and \$0 at June 30, 2025 and 2024.

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2025 and 2024

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 4% of the participant's annual compensation. Employee match for the years ended June 30, 2025 and 2024 amounted to \$72,255 and \$40,414.

8. Concentration of Credit Risk and Revenue and Support

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and restricted cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2025 and 2024, approximately \$4,630,000 and \$5,680,000 of cash was maintained with an institution in excess of FDIC limits.

The School receives a substantial portion of its revenue and support from the New York City Department of Education ("NYCDOE"). For the years ended June 30, 2025 and 2024, the School received approximately 90% of its total revenue and support from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

9. Commitments

Operating Leases

On February 10, 2020, the School entered into an operating lease agreement with 755 Coop City LLC, to lease a building located at 755 Co-op City Boulevard, Bronx, NY 10475 for CP Bronx. The lease term commenced on July 1, 2020 and expired on December 31, 2022 with an option to extend the lease until June 30, 2023. On January 18, 2023, the agreement was amended to expire on June 30, 2026. Under the terms of the agreement, the School paid a security deposit in the amount of \$142,000. Effective July 1, 2024, the School assigned this lease to Friends and concurrently entered into a sublease of the same space from Friends for a two-year term ending June 29, 2026. The School recognized gain on termination of lease totaling \$77,236 during the year ended June 30, 2025 as a result of terminating the original lease.

On March 26, 2021, the School entered into an operating sublease agreement with FOCPHCS to lease a building located at 41 East 129th Street, New York, NY for CP Harlem. The lease term commenced on July 1, 2022 and expires on June 30, 2053, with two options to extend the lease for five years each. The School is a guarantor for the original lease agreement between FOCPHCS and the landlord. Under the terms of the agreement, the School paid a security deposit in the amount of \$1,000,000 on behalf of FOCPHCS to the landlord. Effective July 1, 2024, this sublease was assigned from FOCPHCS to Friends. The School remains guarantor of the lease agreement between Friends and the landlord.

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2025 and 2024

9. Commitments *(continued)*

Operating right of use assets are as follows as of June 30, 2025:

	CP Harlem	CP Bronx	Total
Right of use assets - operating leases	\$ 71,284,480	\$ 3,345,725	\$ 74,630,205
Less: accumulated amortization	<u>(4,715,785)</u>	<u>(1,633,334)</u>	<u>(6,349,119)</u>
	<u>\$ 66,568,695</u>	<u>\$ 1,712,391</u>	<u>\$ 68,281,086</u>

Weighted average remaining lease term (years)	27.41
Weighted average discount rate	3.13%

Operating right of use assets are as follows as of June 30, 2024:

	CP Harlem	CP Bronx	Total
Right of use assets - operating leases	\$ 71,284,480	\$ 6,312,157	\$ 77,596,637
Less: accumulated amortization	<u>(3,124,182)</u>	<u>(3,010,052)</u>	<u>(6,134,234)</u>
	<u>\$ 68,160,298</u>	<u>\$ 3,302,105</u>	<u>\$ 71,462,403</u>

Weighted average remaining lease term (years)	27.78
Weighted average discount rate	3.13%

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

	CP Harlem	CP Bronx	Total
2026	\$ 2,676,101	\$ 1,604,167	\$ 4,280,268
2027	2,977,771	-	2,977,771
2028	3,037,326	-	3,037,326
2029	3,098,073	-	3,098,073
2030	3,160,034	-	3,160,034
Thereafter	<u>92,974,094</u>	<u>-</u>	<u>92,974,094</u>
Total minimum lease payments	107,923,399	1,604,167	109,527,566
Present value discount	<u>(38,651,819)</u>	<u>(37,610)</u>	<u>(38,689,429)</u>
Present value of lease liabilities	69,271,580	1,566,557	70,838,137
Current portion	<u>(532,755)</u>	<u>(1,566,557)</u>	<u>(2,099,312)</u>
Lease liabilities, less current portion	<u>\$ 68,738,825</u>	<u>\$ -</u>	<u>\$ 68,738,825</u>

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2025 and 2024

9. Commitments (continued)

Components of lease cost are as follows for the years ended June 30, 2025 and 2024 and are included in building and land rent/lease expense in the accompanying statements of financial position:

	2025	2024
Operating lease cost	\$ 5,507,875	\$ 5,469,258
Variable lease cost	113,342	55,020
	<u>\$ 5,621,217</u>	<u>\$ 5,524,278</u>

Supplemental disclosure of cash flow information consists of the following at June 30:

	2025	2024
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 4,612,140	\$ 4,556,020
ROU assets obtained in exchange for operating lease obligation	3,345,725	-
Change in ROU assets due to lease termination	(6,312,157)	-

10. Contingency

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

* * * * *

Capital Prep Charter Schools NY

Supplementary Information

June 30, 2025

Capital Prep Charter Schools NY

Schedule of Activities by School
Year Ended June 30, 2025

	CP Harlem	CP Bronx	CP New Rochelle	Total
OPERATING REVENUE				
State and Local Per Pupil Operating Revenue				
General education	\$ 3,454,513	\$ 9,123,284	\$ -	\$ 12,577,797
Special education	649,536	1,110,230	-	1,759,766
Lease assistance	995,167	2,739,885	-	3,735,052
Federal grants	366,893	787,566	-	1,154,459
Federal IDEA and E-Rate	138,924	113,837	-	252,761
State grants	21,044	44,733	-	65,777
Total Operating Revenue	<u>5,626,077</u>	<u>13,919,535</u>	<u>-</u>	<u>19,545,612</u>
EXPENSES				
Program Services				
Regular education	3,561,827	8,224,665	73,846	11,860,338
Special education	1,092,611	1,722,039	-	2,814,650
Total Program Services	4,654,438	9,946,704	73,846	14,674,988
Supporting Services				
Management and general	325,949	671,663	25,362	1,022,974
Fundraising	1,368	2,183	-	3,551
Total Expenses Before Depreciation, Amortization, and Operating Lease Cost	<u>4,981,755</u>	<u>10,620,550</u>	<u>99,208</u>	<u>15,701,513</u>
Surplus (Deficit) from Operations Before Depreciation, Amortization, and Operating Lease Cost	<u>644,322</u>	<u>3,298,985</u>	<u>(99,208)</u>	<u>3,844,099</u>
Depreciation and amortization	305,885	198,748	-	504,633
Operating lease cost	3,757,875	1,750,000	-	5,507,875
	<u>4,063,760</u>	<u>1,948,748</u>	<u>-</u>	<u>6,012,508</u>
(Deficit) Surplus from Operations	<u>(3,419,438)</u>	<u>1,350,237</u>	<u>(99,208)</u>	<u>(2,168,409)</u>
SUPPORT AND OTHER REVENUE				
Grants and contributions	78,922	103,260	-	182,182
Gain on termination of lease	-	77,236	-	77,236
Total Support and Other Revenue	<u>78,922</u>	<u>180,496</u>	<u>-</u>	<u>259,418</u>
Change in Net Assets (Deficit)	(3,340,516)	1,530,733	(99,208)	(1,908,991)
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS				
Beginning of year	<u>(2,467)</u>	<u>6,865,690</u>	<u>-</u>	<u>6,863,223</u>
End of year	<u>\$ (3,342,983)</u>	<u>\$ 8,396,423</u>	<u>\$ (99,208)</u>	<u>\$ 4,954,232</u>

Capital Prep Charter Schools NY

Schedule of Functional Expenses - CP Harlem
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	4	\$ 290,011	\$ 64,398	\$ 354,409	\$ 74,260	\$ 1,061	\$ 429,730
Instructional personnel	14	958,195	316,187	1,274,382	-	-	1,274,382
Non-instructional personnel	<u>2</u>	<u>147,270</u>	<u>41,517</u>	<u>188,787</u>	<u>-</u>	<u>-</u>	<u>188,787</u>
Total Personnel Services Costs	<u>20</u>	<u>1,395,476</u>	<u>422,102</u>	<u>1,817,578</u>	<u>74,260</u>	<u>1,061</u>	<u>1,892,899</u>
Fringe benefits and payroll taxes		240,141	72,637	312,778	12,779	183	325,740
Retirement		27,631	8,358	35,989	1,470	21	37,480
Management company fees		372,189	134,827	507,016	59,482	-	566,498
Legal services		-	-	-	29,761	-	29,761
Accounting/audit services		-	-	-	22,915	-	22,915
Other purchased/professional/consulting services		358,697	32,729	391,426	407	6	391,839
Building and land rent/lease		433,352	185,722	619,074	68,786	-	687,860
Repairs and maintenance		130,719	56,016	186,735	20,741	-	207,476
Insurance		16,487	7,066	23,553	2,617	-	26,170
Utilities		8,871	3,247	12,118	1,081	3	13,202
Supplies/materials		73,887	20,829	94,716	525	-	95,241
Equipment/furnishings		38,830	10,947	49,777	-	-	49,777
Staff development		9,128	2,573	11,701	-	-	11,701
Marketing/recruitment		8,629	2,562	11,191	1,061	5	12,257
Technology		143,425	47,050	190,475	9,624	84	200,183
Food services		159,538	44,976	204,514	-	-	204,514
Student services		128,164	36,131	164,295	-	-	164,295
Office expense		6,879	2,081	8,960	20,209	5	29,174
Other expenses		<u>9,784</u>	<u>2,758</u>	<u>12,542</u>	<u>231</u>	<u>-</u>	<u>12,773</u>
Total Expenses Before Depreciation, Amortization and Operating Lease Cost		<u>3,561,827</u>	<u>1,092,611</u>	<u>4,654,438</u>	<u>325,949</u>	<u>1,368</u>	<u>4,981,755</u>
Depreciation and amortization		229,159	70,211	299,370	6,196	319	305,885
Operating lease cost		<u>2,367,461</u>	<u>1,014,626</u>	<u>3,382,087</u>	<u>375,788</u>	<u>-</u>	<u>3,757,875</u>
		<u>2,596,620</u>	<u>1,084,837</u>	<u>3,681,457</u>	<u>381,984</u>	<u>319</u>	<u>4,063,760</u>
Total Expenses		<u>\$ 6,158,447</u>	<u>\$ 2,177,448</u>	<u>\$ 8,335,895</u>	<u>\$ 707,933</u>	<u>\$ 1,687</u>	<u>\$ 9,045,515</u>

See independent auditors' report

Capital Prep Charter Schools NY

Schedule of Functional Expenses - CP Bronx
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	8	\$ 531,279	\$ 88,866	\$ 620,145	\$ 247,501	\$ 2,183	\$ 869,829
Instructional personnel	34	2,084,708	487,739	2,572,447	-	-	2,572,447
Non-instructional personnel	4	250,150	41,166	291,316	-	-	291,316
Total Personnel Services Costs	<u>46</u>	<u>2,866,137</u>	<u>617,771</u>	<u>3,483,908</u>	<u>247,501</u>	<u>2,183</u>	<u>3,733,592</u>
Fringe benefits and payroll taxes		651,367	169,534	820,901	71,383	-	892,284
Retirement		25,386	6,607	31,993	2,782	-	34,775
Management company fees		1,201,092	197,662	1,398,754	-	-	1,398,754
Legal services		-	-	-	41,089	-	41,089
Accounting/audit services		-	-	-	56,154	-	56,154
Other purchased/professional/consulting services		1,238,017	205,088	1,443,105	15,315	-	1,458,420
Building and land rent/lease		817,137	222,858	1,039,995	110,005	-	1,150,000
Repairs and maintenance		414,254	112,943	527,197	54,948	-	582,145
Insurance		40,963	11,172	52,135	5,515	-	57,650
Utilities		4,717	1,228	5,945	517	-	6,462
Supplies/materials		184,031	30,286	214,317	-	-	214,317
Equipment/furnishings		70,242	11,790	82,032	263	-	82,295
Staff development		80,223	17,926	98,149	5,409	-	103,558
Marketing/recruitment		22,918	4,928	27,846	1,326	-	29,172
Technology		102,460	26,668	129,128	11,228	-	140,356
Food services		337,018	55,463	392,481	-	-	392,481
Student services		144,124	23,718	167,842	-	-	167,842
Office expense		24,579	6,397	30,976	27,300	-	58,276
Other expenses		-	-	-	20,928	-	20,928
Total Expenses Before Depreciation, Amortization and Operating Lease Cost		<u>8,224,665</u>	<u>1,722,039</u>	<u>9,946,704</u>	<u>671,663</u>	<u>2,183</u>	<u>10,620,550</u>
Depreciation and amortization		170,078	28,502	198,580	2	166	198,748
Operating lease cost		1,243,469	339,132	1,582,601	167,399	-	1,750,000
		<u>1,413,547</u>	<u>367,634</u>	<u>1,781,181</u>	<u>167,401</u>	<u>166</u>	<u>1,948,748</u>
Total expenses		<u>\$ 9,638,212</u>	<u>\$ 2,089,673</u>	<u>\$ 11,727,885</u>	<u>\$ 839,064</u>	<u>\$ 2,349</u>	<u>\$ 12,569,298</u>

See independent auditors' report

Capital Prep Charter Schools NY

Schedule of Functional Expenses - CP New Rochelle
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	2	\$ 64,235	\$ -	\$ 64,235	\$ 21,412	\$ -	\$ 85,647
Total Personnel Services Costs		64,235	-	64,235	21,412	-	85,647
Fringe benefits and payroll taxes		9,611	-	9,611	3,204	-	12,815
Other purchased/professional/consulting services		-	-	-	746	-	746
Total Expenses		\$ 73,846	\$ -	\$ 73,846	\$ 25,362	\$ -	\$ 99,208

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
Capital Prep Charter Schools NY**

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 Capital Prep Charter Schools NY (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, 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 30, 2025.

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

Harrison, New York
October 30, 2025