

Democracy Prep New York Charter Schools

Financial Statements

June 30, 2025 and 2024

Independent Auditors' Report

Board of Trustees
Democracy Prep New York Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Democracy Prep New York Charter Schools (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 present fairly, in all material respects, the financial position of Democracy Prep New York Charter Schools 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 Democracy Prep New York Charter Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Democracy Prep New York Charter Schools' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

PKF O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.pkfod.com

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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 Democracy Prep New York Charter Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Democracy Prep New York Charter Schools' ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2025 on pages 23 through 32 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 supplementary 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 29, 2025, on our consideration of Democracy Prep New York Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Democracy Prep New York Charter Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Democracy Prep New York Charter Schools' internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2025

Democracy Prep New York Charter Schools

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current Assets		
Cash	\$ 23,996,439	\$ 25,703,969
Investments	37,720,859	28,386,555
Grants and contracts receivable	3,713,670	2,237,018
Due from related parties, net	314,283	882,219
Prepaid expenses and other current assets	903,761	1,405,624
Total Current Assets	66,649,012	58,615,385
Prepaid expenses and other assets, less current portion	1,100,000	1,200,000
Property and equipment, net	18,429,040	18,972,440
Right of use assets - operating leases, net	148,857,264	123,435,533
Right of use assets - finance leases, net	1,166,210	176,327
Security deposits	2,724,268	2,824,268
Restricted cash	227,854	226,405
	\$ 239,153,648	\$ 205,450,358
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,259,202	\$ 2,032,265
Accrued payroll and payroll taxes	4,384,560	4,732,656
Operating lease liabilities	1,043,170	2,270,903
Finance lease liabilities	592,372	131,832
Refundable advances	3,551,540	2,981,894
Total Current Liabilities	11,830,844	12,149,550
Operating lease liabilities, less current portion	157,479,473	130,230,762
Finance lease liabilities, less current portion	719,571	71,707
Total Liabilities	170,029,888	142,452,019
Net Assets		
Without Donor Restrictions		
Undesignated	59,845,547	53,181,052
Board designated	989,123	989,123
Total Without Donor Restrictions	60,834,670	54,170,175
With donor restrictions	8,289,090	8,828,164
Total Net Assets	69,123,760	62,998,339
	\$ 239,153,648	\$ 205,450,358

See notes to financial statements

Democracy Prep New York Charter Schools

Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 68,646,359	\$ -	\$ 68,646,359
Students with disabilities	9,477,218	-	9,477,218
Facilities funding	4,863,607	-	4,863,607
Universal pre-kindergarten	683,836	-	683,836
Grants and Contracts			
Federal grants	3,043,597	-	3,043,597
Federal IDEA	926,185	-	926,185
State	296,548	-	296,548
Total Operating Revenue	87,937,350	-	87,937,350
EXPENSES			
Program Services			
Regular education	67,952,793	-	67,952,793
Special education	12,001,137	-	12,001,137
Total Program Services	79,953,930	-	79,953,930
Supporting Services			
Management and general	9,268,432	-	9,268,432
Fundraising	578,712	-	578,712
Total Expenses	89,801,074	-	89,801,074
(Deficit) from Operations	(1,863,724)	-	(1,863,724)
SUPPORT, OTHER REVENUE AND GAINS			
Contributions and grants	907,172	-	907,172
Contributions from related party	1,119,200	-	1,119,200
Rental income	619,542	-	619,542
Interest income	1,465,430	-	1,465,430
Gain on termination of lease	3,872,327	-	3,872,327
Other income	5,474	-	5,474
Net assets released from restrictions	53,071	(53,071)	-
Total Support, Other Revenue and Gains	8,042,216	(53,071)	7,989,145
Change in Net Assets Before Net Assets Released from Restriction	6,178,492	(53,071)	6,125,421
Net assets released from restriction - amortization of interest in Friends' Building	486,003	(486,003)	-
Change in Net Assets	6,664,495	(539,074)	6,125,421
NET ASSETS			
Beginning of year	54,170,175	8,828,164	62,998,339
End of year	\$ 60,834,670	\$ 8,289,090	\$ 69,123,760

See notes to financial statements

Democracy Prep New York Charter Schools

Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 68,192,472	\$ -	\$ 68,192,472
Students with disabilities	8,744,746	-	8,744,746
Facilities funding	5,355,058	-	5,355,058
Universal pre-kindergarten	493,489	-	493,489
Grants and Contracts			
Federal grants	2,487,770	-	2,487,770
Federal IDEA and E-Rate	959,543	-	959,543
State	301,617	-	301,617
Total Operating Revenue	86,534,695	-	86,534,695
EXPENSES			
Program Services			
Regular education	65,713,541	-	65,713,541
Special education	8,546,755	-	8,546,755
Total Program Services	74,260,296	-	74,260,296
Supporting Services			
Management and general	9,597,685	-	9,597,685
Fundraising	525,707	-	525,707
Total Expenses	84,383,688	-	84,383,688
Surplus from Operations	2,151,007	-	2,151,007
SUPPORT, OTHER REVENUE AND LOSSES			
Contributions and grants	422,375	49,000	471,375
Rental income	632,511	-	632,511
Interest Income	1,111,198	-	1,111,198
Other income	953	-	953
Loss on termination of leases	(44,258)	-	(44,258)
Net assets released from restrictions	49,000	(49,000)	-
Total Support, Other Revenue and Losses	2,171,779	-	2,171,779
Change in Net Assets Before Net Assets Released from Restriction	4,322,786	-	4,322,786
Net assets released from restriction - amortization of interest in Friends' Building	486,003	(486,003)	-
Change in Net Assets	4,808,789	(486,003)	4,322,786
NET ASSETS			
Beginning of year	49,361,386	9,314,167	58,675,553
End of year	\$ 54,170,175	\$ 8,828,164	\$ 62,998,339

See notes to financial statements

Democracy Prep New York Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	104	\$ 5,822,315	\$ 1,235,136	\$ 7,057,451	\$ 4,152,727	\$ -	\$ 11,210,178
Instructional personnel	353	24,677,474	2,811,551	27,489,025	-	-	27,489,025
Non-instructional personnel	12	518,976	198,382	717,358	-	-	717,358
Total Personnel Services Costs	<u>469</u>	<u>31,018,765</u>	<u>4,245,069</u>	<u>35,263,834</u>	4,152,727	-	39,416,561
Fringe benefits and payroll taxes		4,961,000	668,160	5,629,160	683,178	-	6,312,338
Retirement		549,082	73,534	622,616	79,058	-	701,674
Management company fees		6,481,572	2,546,332	9,027,904	1,967,620	578,712	11,574,236
Legal services		-	-	-	41,555	-	41,555
Accounting/audit services		-	-	-	128,998	-	128,998
Other purchased/professional/consulting services		1,054,461	281,819	1,336,280	149,699	-	1,485,979
Occupancy		10,220,574	1,723,497	11,944,071	719,216	-	12,663,287
Repair and maintenance		2,982,302	401,636	3,383,938	388,529	-	3,772,467
Insurance		550,249	145,844	696,093	-	-	696,093
Utilities		499,816	56,639	556,455	77,466	-	633,921
Supplies/materials		1,531,205	402,392	1,933,597	-	-	1,933,597
Equipment/furnishings		45,181	12,638	57,819	-	-	57,819
Staff development		120,330	20,406	140,736	13,673	-	154,409
Marketing/recruitment		422,680	107,632	530,312	3,756	-	534,068
Technology		1,537,070	241,463	1,778,533	178,076	-	1,956,609
Student services		1,611,760	421,856	2,033,616	-	-	2,033,616
Office expense		447,888	64,062	511,950	109,374	-	621,324
Depreciation and amortization		3,345,530	494,794	3,840,324	432,878	-	4,273,202
Other		193,134	56,172	249,306	74,012	-	323,318
Total Expenses Before Amortization of Interest in Friends' Building		67,572,599	11,963,945	79,536,544	9,199,815	578,712	89,315,071
Amortization of interest in Friends' building		380,194	37,192	417,386	68,617	-	486,003
Total Expenses		<u>\$ 67,952,793</u>	<u>\$ 12,001,137</u>	<u>\$ 79,953,930</u>	<u>\$ 9,268,432</u>	<u>\$ 578,712</u>	<u>\$ 89,801,074</u>

See notes to financial statements

Democracy Prep New York Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	100	\$ 4,691,404	\$ 1,005,301	\$ 5,696,705	\$ 4,417,039	\$ -	\$ 10,113,744
Instructional personnel	338	26,067,029	1,270,921	27,337,950	-	-	27,337,950
Non-instructional personnel	15	1,036,178	216,783	1,252,961	-	-	1,252,961
Total Personnel Services Costs	<u>453</u>	<u>31,794,611</u>	<u>2,493,005</u>	<u>34,287,616</u>	4,417,039	-	38,704,655
Fringe benefits and payroll taxes		5,270,958	344,422	5,615,380	787,254	-	6,402,634
Retirement		242,561	17,652	260,213	37,432	-	297,645
Management company fees		5,887,919	2,313,111	8,201,030	1,787,403	525,707	10,514,140
Legal services		-	-	-	87,073	-	87,073
Accounting/audit services		-	-	-	131,000	-	131,000
Other purchased/professional/consulting services		750,742	197,027	947,769	200,434	-	1,148,203
Occupancy		9,634,174	1,613,477	11,247,651	720,386	-	11,968,037
Repair and maintenance		2,709,983	201,284	2,911,267	385,816	-	3,297,083
Insurance		487,784	123,121	610,905	-	-	610,905
Utilities		522,223	34,538	556,761	80,487	-	637,248
Supplies/materials		1,264,708	324,542	1,589,250	-	-	1,589,250
Equipment/furnishings		14,424	4,131	18,555	-	-	18,555
Staff development		107,643	14,102	121,745	11,008	-	132,753
Marketing/recruitment		219,989	53,870	273,859	2,357	-	276,216
Technology		1,519,262	129,780	1,649,042	197,294	-	1,846,336
Student services		1,495,404	376,655	1,872,059	-	-	1,872,059
Office expense		624,948	44,751	669,699	190,246	-	859,945
Depreciation and amortization		2,626,458	194,887	2,821,345	377,699	-	3,199,044
Other		<u>152,702</u>	<u>36,979</u>	<u>189,681</u>	<u>115,223</u>	<u>-</u>	<u>304,904</u>
Total Expenses Before Amortization of Interest in Friends' Building		65,326,493	8,517,334	73,843,827	9,528,151	525,707	83,897,685
Amortization of interest in Friends' building		<u>387,048</u>	<u>29,421</u>	<u>416,469</u>	<u>69,534</u>	<u>-</u>	<u>486,003</u>
Total Expenses		<u>\$ 65,713,541</u>	<u>\$ 8,546,755</u>	<u>\$ 74,260,296</u>	<u>\$ 9,597,685</u>	<u>\$ 525,707</u>	<u>\$ 84,383,688</u>

See notes to financial statements

Democracy Prep New York Charter Schools

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,125,421	\$ 4,322,786
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	3,730,552	2,528,023
Loss on termination of leases	-	44,258
Gain on termination of leases	(3,872,327)	-
Amortization of right of use asset - operating leases	4,422,267	6,418,010
Amortization of right of use asset - finance leases	542,650	671,021
Amortization of interest in Friends' building	486,003	486,003
Changes in operating assets and liabilities		
Grants and contracts receivable	(1,476,652)	5,640,222
Due from related parties, net	567,936	40,970
Prepaid expenses and other current assets	601,863	(670,726)
Security deposits	100,000	201,548
Accounts payable and accrued expenses	226,937	257,721
Accrued payroll and payroll taxes	(348,096)	123,868
Operating lease liabilities	281,546	(2,997,469)
Refundable advances	569,646	146,578
Net Cash from Operating Activities	11,957,746	17,212,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,673,155)	(2,124,796)
Purchase of investments	(8,000,000)	(12,000,000)
Dividend and interest reinvested	(1,334,304)	(992,727)
Proceeds from sale of investments	-	1,571
Net Cash from Investing Activities	(13,007,459)	(15,115,952)
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments on finance lease liabilities	(656,368)	(894,011)
Net Change in Cash and Restricted Cash	(1,706,081)	1,202,850
CASH AND RESTRICTED CASH		
Beginning of year	25,930,374	24,727,524
End of Year	\$ 24,224,293	\$ 25,930,374
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 48,976	\$ 33,483

See notes to financial statements

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Tax Status

Democracy Prep New York Charter Schools (the "School") is a New York State, not-for-profit educational corporation that was incorporated to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School is dedicated to providing a high quality college preparatory education to primarily disadvantaged students. The School provided education to approximately 3,603 students in grades kindergarten through twelfth and the pre-kindergarten program provided education to 69 students during the 2024-2025 academic year.

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

Bronx Preparatory Charter School ("BPCS") – BPCS was granted a provisional charter on April 4, 2000 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 ("Board of Regents").

Democracy Preparatory Charter School ("DPCS") – DPCS was granted a provisional charter on December 9, 2005 valid for a term of five years and renewable upon expiration by the Board of Regents.

Democracy Preparatory Harlem Charter School ("DPH") – DPH was granted a provisional charter on February 9, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents.

Harlem Preparatory Charter School ("HPCS") – HPCS was granted a provisional charter on May 14, 2001, valid for a term of five years and renewable upon expiration by the Board of Regents.

Democracy Preparatory Endurance Charter School ("DPE") – DPE was granted a provisional charter on July 16, 2012, valid for a term of five years and renewable upon expiration by the Board of Regents.

The Board of Regents approved and issued several renewals to all the Schools' charters now expiring on July 31, 2029.

Effective July 1, 2017, DPCS, DPH and HPCS merged into a single legal entity under BPCS. BPCS was renamed Democracy Prep New York Charter Schools also effective July 1, 2017. DPCS, DPH and HPCS were dissolved and ceased to exist as separate legal entities in conjunction with the merger. The plan of merger was approved by the New York State Board of Regents on April 4, 2017.

Effective July 1, 2019, DPE merged into the School. DPE ceased to exist as a separate legal entity in conjunction with the merger. The plan of merger was approved by the New York State Board of Regents.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Tax Status *(continued)*

Friends of DPNY, Inc. (Formally known as Friends of Bronx Preparatory Charter School, Inc.) (“Friends”) was organized under the laws of the State of New York on June 29, 1999 as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law. Friends was established to create a plan for a charter school in New York City, drafting an application for such a charter and making contributions to such a school and other tax-exempt organizations. The by-laws of Friends was amended, restated, and approved by the board of directors. Under the amended by-laws, Friends ceased to be controlled by the School effective July 1, 2014. Upon the School and Friends’ separation, a consolidation is no longer required and Friends’ net assets, except for the School’s interest in Friends’ building (see Note 5), were transferred out from the School’s financial statements. At July 1, 2014, \$1,792,958 of net assets was transferred to Friends from the separation of Friends from the School.

The New York City Department of Education (“NYCDOE”) provides transportation directly to some of the School’s students based on eligibility. In addition, the NYCDOE provides free lunch to all students. Such costs are not included in these financial statements.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

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 - consist of resources available for the general support of the School’s operations. Net assets without donor restrictions may be used at the discretion of the School’s management and/or the Board of Trustees. Board designated net assets of \$989,123 were established to provide a reserve for unforeseen facility, personnel and other issues.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

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

Net Asset Presentation (continued)

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.

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:

	<u>2025</u>	<u>2024</u>
Cash	\$ 23,996,439	\$ 25,703,969
Restricted cash	<u>227,854</u>	<u>226,405</u>
	<u>\$ 24,224,293</u>	<u>\$ 25,930,374</u>

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 unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation and Income Recognition

Certificates of deposit are valued at the amounts deposited plus accrued interest, which approximate fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income 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 the change in net assets.

Democracy Prep New York Charter Schools

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 such assets are expensed as incurred.

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

Computers and equipment	3 and 5 years
Furniture and fixtures	7 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. There were no asset impairments for the years ended June 30, 2025 and 2024.

Leases

The School accounts for leases under ASU No. 2016-02, *Leases*. The School determines if an arrangement is a lease at inception. Leases are included in ROU assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position.

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. The School has made an accounting policy election to use a risk-free rate, determined using a period comparable with that of the lease term, to discount future lease payments. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the School's risk-free rate. Operating and finance lease cost is recognized on a straight-line basis over the lease term within occupancy expense in the accompanying statements of functional expenses. Lease and non-lease components lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease. When it is reasonably certain that the School will exercise that option, such amounts are included in the ROU assets and lease liabilities.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

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

Refundable Advances

The School records certain government grants and contracts as refundable advances until the related services are performed, at which time it is recognized as revenue. At June 30, 2025 and 2024, the refundable advances balance includes a \$2,735,927 deposit from the Internal Revenue Service related to 2021 tax return. The School filed an amended tax return in October 2025. The deposit will be returned in fiscal year 2026.

Revenue and Support

Revenue from state and local governments resulting from the School's charter status are 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 net assets with donor restrictions if they are received with donor stipulations. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruiting Costs

The School uses marketing and recruitment specifically aimed at hiring staff and enrolling new students. Accordingly, all costs in marketing and recruiting were allocated to program and management and general expenditures and expensed as incurred. For the years ended June 30, 2025 and 2024, marketing and recruiting costs totaled \$534,068 and \$276,216.

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 include revenue and support from non-governmental sources that include contributions and grants revenue, return on investments and other activities considered to be of a non-recurring nature.

Functional Expense Allocation

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

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

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

Accounting for Uncertainty in Income Taxes

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

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 29, 2025.

3. Investments

The School's investments at June 30, 2025 and 2024 consist of certificates of deposit valued at cost plus accrued interest totaling \$37,720,859 and \$28,386,555 held by a bank.

4. Grants and Contracts Receivable

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

5. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2025</u>	<u>2024</u>
Computers and equipment	\$11,754,244	\$11,355,301
Furniture and fixtures	3,879,322	3,742,615
Leasehold improvements	20,953,151	17,815,646
Interest in Friends' Building (a)	<u>13,608,077</u>	<u>13,608,077</u>
	50,194,794	46,521,639
Accumulated depreciation and amortization	<u>(31,765,754)</u>	<u>(27,549,199)</u>
	<u>\$18,429,040</u>	<u>\$18,972,440</u>

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

5. Property and Equipment *(continued)*

(a) On July 1, 2014, the lease agreement between Friends' and BPCS, originally commenced in fiscal year 2007, was amended and restated. The amended and restated lease agreement expires on the earlier of: 1) the last day of the month of the 99th anniversary of the commencement date; 2) the termination for any reason of the management agreement between the School and Democracy Prep Public Schools ("DPPS", a related party) (see Note 7); or 3) revocation or nonrenewal of the BPCS charter.

The annual base rent equals an amount sufficient to pay Friends' reasonable and necessary actual, third party costs of owning the property (including, but not limited to, such costs arising from abatement or remediation of any hazardous or illegal condition not remedied by the School in accordance with and within the cure periods provided by this lease), plus Friends' reasonable and necessary operational and administrative expenses directly associated with the ownership of the property and compliance with this lease for such lease year. The base rent based on Friends' operating cost was \$108,216 and \$146,782 for the years ended June 30, 2025 and 2024.

Due to the estimated fair value rental over the estimated lease payment amount throughout the lease term being higher than the net book value of the building, the School recognizes its interest in Friends' building and amortizes its interest over the building's remaining useful life, which is approximately 28 years. The amortization expense for each of the years ended June 30, 2025 and 2024 was \$486,003. Interest in the School's building, net of accumulated amortization at June 30, 2025 and 2024 is \$8,289,090 and \$8,775,093 and is included in property and equipment in the accompanying statements of financial position.

6. Liquidity and Availability of Financial Assets

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

	2025	2024
Cash	\$ 23,996,439	\$ 25,703,969
Investments	37,720,859	28,386,555
Grants and contracts receivable	3,713,670	2,237,018
Due from related parties	314,283	882,219
Total Financial Assets	65,745,251	57,209,761
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions (net of \$8,289,090 and \$8,775,093 Interest in Friends' Building - see Note 5)	-	(53,071)
Board designated net assets	(989,123)	(989,123)
	\$ 64,756,128	\$ 56,167,567

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

6. Liquidity and Availability of Financial Assets (*continued*)

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in money market accounts and other liquid instruments until it is required for operational use. The Board of Trustees has designated net assets without donor restrictions that could be drawn upon through board resolution and can be made available for current operations, unbudgeted expenses and unanticipated loss in funding. In the event of unanticipated liquidity need, the School could draw down upon investments to cover any temporary shortfall in funding. The School will continue to rely on funding received from New York City Department of Education to cover future operating costs. (see Note 9)

7. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of Democracy Prep Public Schools ("DPPS"), a New York State not-for-profit charter management organization, which provides management services to the School. DPPS provides similar management services to Democracy Prep Texas ("DPT"), a Texas not-for-profit organization, and Democracy Prep Agassi Campus ("DPAC"), a Nevada not-for-profit organization.

The School entered into management agreements with DPPS dated July 1, 2024 and July 1, 2023, and effective for the years ended June 30, 2025 and 2024, to assume responsibility for their educational process, management and operations. As compensation to DPPS for these services rendered, the School pays DPPS an annual fee, of 14% and 13% of the School's non-competitive public revenue. For the years ended June 30, 2025 and 2024, the School incurred \$11,574,236 and \$10,514,140 in management fees.

For the years ended June 30, 2025 and 2024, the School received contributions of \$1,119,200 and \$0 from DPPS to cover specific program expenses.

On September 20, 2016, HPCS and DPE entered into two operating leases with DPPS for additional office and instructional space expiring on August 30, 2047. During the year ended June 30, 2019, HPCS prepaid \$2,000,000 and DPE prepaid \$1,000,000 of base rent. The School is entitled to a monthly credit of \$25,000 starting July 1, 2019. This prepayment is included in the statements of financial position under current and long-term prepaid expenses and other assets. On July 1, 2022 and September 1, 2024, the School and DPPS signed revised and amended subleases under new terms and conditions expiring on June 30, 2047 (see Note 11).

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

7. Related Party Transactions (not disclosed elsewhere) (continued)

For operational efficiency and purchasing power, the School shares expenses with the related charter schools and DPPS. The balance due (to) from related parties consists of the following at June 30:

	2025	2024
Friends'	\$ 221,227	\$ (151,014)
DPAC	83,992	184,009
DPT	7,364	17,993
DPPS	1,700	831,231
	<u>\$ 314,283</u>	<u>\$ 882,219</u>

The School is related to Friends of DPNY, Inc. ("Friends"), a New York State non-for-profit corporation, through common management. Friends supports the School through technical and financial assistance and by managing the School's real estate and facilities-related needs. On December 17, 2020, Friends entered into a lease agreement with 1000 Westchester Avenue LLC for the space located at 1000 Westchester Avenue, Bronx, New York. The lease commenced on July 1, 2024, and is scheduled to expire on June 30, 2058. Effective December 17, 2020, the lease agreement was transferred to the School (see Note 11) and new sublease agreement was entered into between Friends (sublandlord) and the School (Subtenant).

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash including certificates of deposits 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 \$61,694,000 and \$54,066,000 of cash was maintained with one institution in excess of FDIC.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2025 and 2024, the School received approximately 94% and 95% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2025	2024
Korean dual language program	\$ -	\$ 51,866
Field trips and classroom incentives	-	1,205
Interest in Friends' building (Note 5)	8,289,090	8,775,093
	\$ 8,289,090	\$ 8,828,164

Net assets were released from donor restrictions by satisfying the purpose specified by the donors as follows for years ended June 30:

	2025	2024
Korean dual language program	\$ 51,866	\$ 49,000
Field trips and classroom incentives	1,205	-
Interest in Friends' building (Note 5)	486,003	486,003
	\$ 539,074	\$ 535,003

11. Commitments

Facility leases

On October 1, 2007, as amended in December 2015, DPCS entered into a triple-net sublease agreement with Civic Builders Property Holding Corp. ("Sub-landlord") for new facilities at St. Philips Church (207 West 133rd Street). DPCS also entered into license agreements for the use of the undercroft, the elevator and additional classroom space. On August 25, 2008, DPCS occupied the space. The sublease provides that DPCS pay a monthly base rent plus triple-net charges for DPCS' share of expenses related to the leased property. The term of the sublease is twenty-two years from the commencement date.

Effective July 1, 2012, DPCS entered into a sub-sublease agreement with DPH for use of office and classroom facilities at St. Philips Church. The rent payments are based on a fraction, determined annually for each rent year and expressed as a percentage, the numerator of which is the number of students of DPH during the rent year, and the denominator of which is the aggregate number of students at both DPCS and DPH during the rent year. The number of students is determined by the New York City Department of Education as of the end of the rent year for purposes of reconciling school funding allocations. DPH is also responsible for utilities and other building costs. The term shall end on the earlier of December 31, 2029, or the date on which the sublease agreement is terminated. Rental income was \$619,542 and \$632,511 for the years ended June 30, 2025 and 2024. The School does not disclose the minimum future rent to be received due to the undetermined number of future students served, and merger of the two entities.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

11. Commitments *(continued)*

Facility leases (continued)

On July 1, 2022, the School and DPPS signed a revised and amended sublease agreement under new terms and conditions expiring on June 30, 2047 (see Note 7). This sublease was for HPCS and DPE for additional classroom facilities at 230 East 123rd Street, New York, NY. On September 1, 2024, the sublease agreement was amended, and the leased space is now utilized solely by HPCS.

On December 17, 2020, the School entered into a sub-lease agreement with Friends for the space located at 1000 Westchester Avenue, Bronx, New York. The lease commenced on July 1, 2024, and is scheduled to expire on June 30, 2058.

On April 29, 2022, the School entered into a lease agreement with Neumont Management Corporation for the office space located at 101 & 115 West 116th Street, New York. The lease term started on May 1, 2022 and expired on July 31, 2025, and was not renewed.

Equipment leases

The School leases computers and equipment under non-cancelable lease agreements expiring at various dates through November 2027.

ROU assets consist of the following at June 30, 2025:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Right of use assets	\$ 166,062,384	\$ 3,166,548
Less: accumulated amortization	(17,205,120)	(2,000,338)
	<u>\$ 148,857,264</u>	<u>\$ 1,166,210</u>

Weighted average remaining lease term

Operating leases	29.10 years
Finance leases	2.17 years

Weighted average discount rate

Operating leases	4.66%
Finance leases	3.73%

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

11. Commitments *(continued)*

ROU assets consist of the following at June 30, 2024:

	Operating Leases	Finance Leases
Right of use assets	\$ 136,218,386	1,634,015
Less: accumulated amortization	(12,782,853)	(1,457,688)
	\$ 123,435,533	\$ 176,327

Weighted average remaining lease term

Operating leases	22.49 years
Finance leases	1.88 years

Weighted average discount rate

Operating leases	3.11%
Finance leases	5.07%

The future minimum lease payments under the facility and equipment leases are as follows for the years ending June 30:

	Operating Leases	Finance Leases
2026	\$ 7,160,989	\$ 629,294
2027	8,283,460	629,294
2028	8,697,118	104,881
2029	9,013,628	-
2030	9,079,692	-
Thereafter	267,768,023	-
Total minimum lease payments	310,002,910	1,363,469
Present value discount	(151,480,267)	(51,526)
Present value of lease liabilities	158,522,643	1,311,943
Current portion	(1,043,170)	(592,372)
Lease liabilities, less current portion	\$ 157,479,473	\$ 719,571

	2025	2024
Supplemental cash flows		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 7,059,980	\$ 7,545,352
Cash paid for amounts included in the measurement of finance lease liabilities	705,344	867,097
ROU assets obtained in exchange for new operating lease liabilities	103,332,365	1,034,587
ROU assets obtained in exchange for new finance lease liabilities	1,792,924	-

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

11. Commitments (*continued*)

Occupancy expense for the years ended June 30, 2025 and 2024 was \$12,663,287 and \$11,968,037.

For the years ended June 30, 2025 and 2024, interest expense was \$48,976 and \$33,483, and included in the other expenses in the accompanying statements of functional expenses.

For the year ended June 30, 2025, gain on termination of Taino sub-lease between DPE and HPCS was \$3,872,327. For the year ended June 30, 2024, loss on termination of leases was \$44,258.

12. Employee Benefit Plan

The School maintains a retirement plan qualified under Internal Revenue Code Section 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 10% of the participant's annual compensation. Employer match, net of forfeitures, for the years ended June 30, 2025 and 2024 amounted to \$701,674 and \$297,645.

13. Contingency

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

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

* * * * *

Democracy Prep New York Charter Schools

Supplementary Information

June 30, 2025

Democracy Prep New York Charter Schools

Schedule of Activities
Bronx Preparatory Charter School
Year Ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 15,461,046	\$ -	\$ 15,461,046
Students with disabilities	1,512,905	-	1,512,905
Grants and Contracts			
Federal grants	738,602	-	738,602
Federal IDEA	162,758	-	162,758
State	<u>67,042</u>	<u>-</u>	<u>67,042</u>
Total Operating Revenue	<u>17,942,353</u>	<u>-</u>	<u>17,942,353</u>
EXPENSES			
Program Services			
Regular education	14,112,735	-	14,112,735
Special education	<u>1,889,340</u>	<u>-</u>	<u>1,889,340</u>
Total Program Services	16,002,075	-	16,002,075
Supporting Services			
Management and general	2,597,825	-	2,597,825
Fundraising	<u>124,961</u>	<u>-</u>	<u>124,961</u>
Total Expenses	<u>18,724,861</u>	<u>-</u>	<u>18,724,861</u>
(Deficit) from Operations	<u>(782,508)</u>	<u>-</u>	<u>(782,508)</u>
SUPPORT AND OTHER REVENUE			
Contributions and grants	178,588	-	178,588
Contributions from related party	328,019	-	328,019
Interest income	1,462,844	-	1,462,844
Other income	4,901	-	4,901
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Other Revenue	<u>1,974,352</u>	<u>-</u>	<u>1,974,352</u>
Change in Net Assets Before Net Assets Released from Restriction	1,191,844	-	1,191,844
Net assets released from restriction - amortization of interest in Friends' Building	<u>486,003</u>	<u>(486,003)</u>	<u>-</u>
Change in Net Assets	1,677,847	(486,003)	1,191,844
NET ASSETS			
Beginning of year	<u>5,070,921</u>	<u>8,775,093</u>	<u>13,846,014</u>
End of year	<u>\$ 6,748,768</u>	<u>\$ 8,289,090</u>	<u>\$ 15,037,858</u>

Democracy Prep New York Charter Schools

Schedule of Activities Democracy Preparatory Charter School Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 9,880,183	\$ -	\$ 9,880,183
Students with disabilities	1,042,443	-	1,042,443
Grants and Contracts			
Federal grants	421,336	-	421,336
Federal IDEA	124,385	-	124,385
State	46,212	-	46,212
Total Operating Revenue	11,514,559	-	11,514,559
EXPENSES			
Program Services			
Regular education	8,500,523	-	8,500,523
Special education	1,226,556	-	1,226,556
Total Program Services	9,727,079	-	9,727,079
Supporting Services			
Management and general	1,233,673	-	1,233,673
Fundraising	80,168	-	80,168
Total Expenses	11,040,920	-	11,040,920
Surplus from Operations	473,639	-	473,639
SUPPORT AND OTHER REVENUE			
Contributions and grants	120,942	-	120,942
Contributions from related party	145,669	-	145,669
Interest income	462	-	462
Rental income	619,542	-	619,542
Net assets released from restrictions	19,315	(19,315)	-
Total Support and Other Revenue	905,930	(19,315)	886,615
Change in Net Assets	1,379,569	(19,315)	1,360,254
NET ASSETS			
Beginning of year	11,898,757	19,315	11,918,072
End of year	\$ 13,278,326	\$ -	\$ 13,278,326

See independent auditors' report

Democracy Prep New York Charter Schools

Schedule of Activities
Democracy Preparatory Harlem Charter School
Year Ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 16,770,927	\$ -	\$ 16,770,927
Students with disabilities	3,079,681	-	3,079,681
Grants and Contracts			
Federal grants	635,828	-	635,828
Federal IDEA	291,327	-	291,327
State	<u>75,096</u>	<u>-</u>	<u>75,096</u>
Total Operating Revenue	<u>20,852,859</u>	<u>-</u>	<u>20,852,859</u>
EXPENSES			
Program Services			
Regular education	13,173,670	-	13,173,670
Special education	<u>3,395,095</u>	<u>-</u>	<u>3,395,095</u>
Total Program Services	16,568,765	-	16,568,765
Supporting Services			
Management and general	1,725,842	-	1,725,842
Fundraising	<u>145,294</u>	<u>-</u>	<u>145,294</u>
Total Expenses	<u>18,439,901</u>	<u>-</u>	<u>18,439,901</u>
Surplus from Operations	<u>2,412,958</u>	<u>-</u>	<u>2,412,958</u>
SUPPORT AND OTHER REVENUE			
Contributions and grants	272,354	-	272,354
Contributions from related party	231,685	-	231,685
Interest income	766	-	766
Other income	573	-	573
Net assets released from restrictions	<u>15,190</u>	<u>(15,190)</u>	<u>-</u>
Total Support and Other Revenue	<u>520,568</u>	<u>(15,190)</u>	<u>505,378</u>
Change in Net Assets	2,933,526	(15,190)	2,918,336
NET ASSETS			
Beginning of year	<u>25,722,259</u>	<u>15,190</u>	<u>25,737,449</u>
End of year	<u>\$ 28,655,785</u>	<u>\$ -</u>	<u>\$ 28,655,785</u>

Democracy Prep New York Charter Schools

Schedule of Activities
Harlem Preparatory Charter School
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 11,284,074	\$ -	\$ 11,284,074
Students with disabilities	1,656,636	-	1,656,636
Facilities funding	2,068,607	-	2,068,607
Grants and Contracts			
Federal grants	559,683	-	559,683
Federal IDEA	211,228	-	211,228
State	60,746	-	60,746
Total Operating Revenue	<u>15,840,974</u>	<u>-</u>	<u>15,840,974</u>
EXPENSES			
Program Services			
Regular education	14,519,248	-	14,519,248
Special education	3,199,018	-	3,199,018
Total Program Services	17,718,266	-	17,718,266
Supporting Services			
Management and general	1,737,146	-	1,737,146
Fundraising	95,797	-	95,797
Total Expenses	<u>19,551,209</u>	<u>-</u>	<u>19,551,209</u>
(Deficit) from Operations	<u>(3,710,235)</u>	<u>-</u>	<u>(3,710,235)</u>
SUPPORT AND OTHER REVENUE			
Contributions and grants	214,117	-	214,117
Contributions from related party	172,227	-	172,227
Interest income	695	-	695
Net assets released from restrictions	7,500	(7,500)	-
Total Support and Other Revenue	<u>394,539</u>	<u>(7,500)</u>	<u>387,039</u>
Change in Net Assets	(3,315,696)	(7,500)	(3,323,196)
NET ASSETS			
Beginning of year	<u>6,124,897</u>	<u>7,500</u>	<u>6,132,397</u>
End of year	<u>\$ 2,809,201</u>	<u>\$ -</u>	<u>\$ 2,809,201</u>

Democracy Prep New York Charter Schools

Schedule of Activities Democracy Preparatory Endurance Charter School Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 15,250,129	\$ -	\$ 15,250,129
Students with disabilities	2,185,553	-	2,185,553
Facilities funding	2,795,000	-	2,795,000
Universal pre-kindergarten	683,836	-	683,836
Grants and Contracts			
Federal grants	688,148	-	688,148
Federal IDEA	136,487	-	136,487
State	<u>47,452</u>	-	<u>47,452</u>
Total Operating Revenue	<u>21,786,605</u>	<u>-</u>	<u>21,786,605</u>
EXPENSES			
Program Services			
Regular education	17,646,617	-	17,646,617
Special education	<u>2,291,128</u>	-	<u>2,291,128</u>
Total Program Services	19,937,745	-	19,937,745
Supporting Services			
Management and general	1,973,946	-	1,973,946
Fundraising	<u>132,492</u>	-	<u>132,492</u>
Total Expenses	<u>22,044,183</u>	<u>-</u>	<u>22,044,183</u>
(Deficit) from Operations	<u>(257,578)</u>	<u>-</u>	<u>(257,578)</u>
SUPPORT, OTHER REVENUE AND GAINS			
Contributions and grants	121,171	-	121,171
Contributions from related party	241,600	-	241,600
Interest income	663	-	663
Gain on termination of lease	3,872,327	-	3,872,327
Net assets released from restrictions	<u>11,066</u>	<u>(11,066)</u>	<u>-</u>
Total Support, Other Revenue and Gains	<u>4,246,827</u>	<u>(11,066)</u>	<u>4,235,761</u>
Change in Net Assets	3,989,249	(11,066)	3,978,183
NET ASSETS			
Beginning of year	<u>5,353,341</u>	<u>11,066</u>	<u>5,364,407</u>
End of year	<u>\$ 9,342,590</u>	<u>\$ -</u>	<u>\$ 9,342,590</u>

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Bronx Preparatory Charter School
Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	37	\$ 2,226,378	\$ 464,577	\$ 2,690,955	\$ 1,424,425	\$ -	\$ 4,115,380
Instructional personnel	74	5,669,574	292,119	5,961,693	-	-	5,961,693
Non-instructional personnel	1	64,509	27,647	92,156	-	-	92,156
Total Personnel Services Costs	<u>112</u>	7,960,461	784,343	8,744,804	1,424,425	-	10,169,229
Fringe benefits and payroll taxes		1,215,906	114,845	1,330,751	228,375	-	1,559,126
Retirement		216,615	21,190	237,805	39,094	-	276,899
Management company fees		1,399,561	549,828	1,949,389	424,867	124,961	2,499,217
Legal services		-	-	-	2,455	-	2,455
Accounting/audit services		-	-	-	27,378	-	27,378
Other purchased/professional/consulting services		114,400	20,666	135,066	12,865	-	147,931
Occupancy		54,369	5,319	59,688	9,812	-	69,500
Repair and maintenance		690,280	67,525	757,805	124,581	-	882,386
Insurance		122,897	22,201	145,098	-	-	145,098
Utilities		176,077	17,224	193,301	31,778	-	225,079
Supplies/materials		346,276	62,556	408,832	-	-	408,832
Equipment/furnishings		8,369	1,512	9,881	-	-	9,881
Staff development		15,767	1,610	17,377	2,699	-	20,076
Marketing/recruitment		78,856	13,954	92,810	635	-	93,445
Technology		234,965	25,529	260,494	36,862	-	297,356
Student services		379,390	68,538	447,928	-	-	447,928
Office expense		88,497	8,657	97,154	26,267	-	123,421
Depreciation and amortization		571,795	55,934	627,729	103,196	-	730,925
Other		58,060	10,717	68,777	33,919	-	102,696
Total Expenses Before Amortization of Interest in Friends' Building		13,732,541	1,852,148	15,584,689	2,529,208	124,961	18,238,858
Amortization of interest in Friends' building		380,194	37,192	417,386	68,617	-	486,003
Total Expenses		<u>\$ 14,112,735</u>	<u>\$ 1,889,340</u>	<u>\$ 16,002,075</u>	<u>\$ 2,597,825</u>	<u>\$ 124,961</u>	<u>\$ 18,724,861</u>

See independent auditors' report

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Democracy Preparatory Charter School
Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	14	\$ 711,464	\$ 152,457	\$ 863,921	\$ 653,131	\$ -	\$ 1,517,052
Instructional personnel	47	3,544,341	238,821	3,783,162	-	-	3,783,162
Non-instructional personnel	1	63,981	27,420	91,401	-	-	91,401
Total Personnel Services Costs	<u>62</u>	4,319,786	418,698	4,738,484	653,131	-	5,391,615
Fringe benefits and payroll taxes		687,062	65,211	752,273	106,265	-	858,538
Retirement		64,702	6,206	70,908	9,896	-	80,804
Management company fees		897,884	352,740	1,250,624	272,572	80,168	1,603,364
Legal services		-	-	-	10,239	-	10,239
Accounting/audit services		-	-	-	21,373	-	21,373
Other purchased/professional/consulting services		206,848	38,179	245,027	7,171	-	252,198
Occupancy		626,066	114,662	740,728	1,540	-	742,268
Repair and maintenance		244,804	23,480	268,284	37,441	-	305,725
Insurance		84,604	15,615	100,219	-	-	100,219
Utilities		203,918	19,558	223,476	31,188	-	254,664
Supplies/materials		244,676	45,161	289,837	-	-	289,837
Staff development		20,677	1,983	22,660	3,162	-	25,822
Marketing/recruitment		78,265	14,446	92,711	-	-	92,711
Technology		247,671	26,087	273,758	33,856	-	307,614
Student services		293,708	54,210	347,918	-	-	347,918
Office expense		76,088	7,298	83,386	17,709	-	101,095
Depreciation and amortization		166,980	16,016	182,996	25,538	-	208,534
Other		36,784	7,006	43,790	2,592	-	46,382
Total Expenses		<u>\$ 8,500,523</u>	<u>\$ 1,226,556</u>	<u>\$ 9,727,079</u>	<u>\$ 1,233,673</u>	<u>\$ 80,168</u>	<u>\$ 11,040,920</u>

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Democracy Preparatory Harlem Charter School
Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	23	\$ 1,159,618	\$ 248,490	\$ 1,408,108	\$ 823,295	\$ -	\$ 2,231,403
Instructional personnel	88	5,789,938	1,256,179	7,046,117	-	-	7,046,117
Non-instructional personnel	4	124,948	53,057	178,005	-	-	178,005
Total Personnel Services Costs	115	7,074,504	1,557,726	8,632,230	823,295	-	9,455,525
Fringe benefits and payroll taxes		1,124,574	243,708	1,368,282	134,303	-	1,502,585
Retirement		150,702	32,890	183,592	17,795	-	201,387
Management company fees		1,627,297	639,295	2,266,592	494,001	145,294	2,905,887
Legal services		-	-	-	11,027	-	11,027
Accounting/audit services		-	-	-	32,274	-	32,274
Other purchased/professional/consulting services		207,090	73,063	280,153	10,384	-	290,537
Occupancy		457,967	161,574	619,541	-	-	619,541
Repair and maintenance		606,608	132,390	738,998	71,628	-	810,626
Insurance		122,333	43,160	165,493	-	-	165,493
Supplies/materials		350,985	123,830	474,815	-	-	474,815
Equipment/furnishings		8,615	3,039	11,654	-	-	11,654
Staff development		26,110	6,172	32,282	2,667	-	34,949
Marketing/recruitment		89,625	30,374	119,999	1,094	-	121,093
Technology		382,289	88,632	470,921	40,578	-	511,499
Student services		344,978	121,711	466,689	-	-	466,689
Office expense		115,602	25,230	140,832	25,763	-	166,595
Depreciation and amortization		444,321	96,971	541,292	52,465	-	593,757
Other		40,070	15,330	55,400	8,568	-	63,968
Total Expenses		\$ 13,173,670	\$ 3,395,095	\$ 16,568,765	\$ 1,725,842	\$ 145,294	\$ 18,439,901

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Harlem Preparatory Charter School
Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	14	\$ 896,784	\$ 192,168	\$ 1,088,952	\$ 615,902	\$ -	\$ 1,704,854
Instructional personnel	61	4,120,560	642,087	4,762,647	-	-	4,762,647
Non-instructional personnel	1	109,648	39,094	148,742	-	-	148,742
Total Personnel Services Costs	<u>76</u>	<u>5,126,992</u>	<u>873,349</u>	<u>6,000,341</u>	615,902	-	6,616,243
Fringe benefits and payroll taxes		921,506	152,192	1,073,698	114,437	-	1,188,135
Retirement		32,784	5,515	38,299	3,993	-	42,292
Management company fees		1,072,922	421,505	1,494,427	325,708	95,797	1,915,932
Legal services		-	-	-	12,926	-	12,926
Accounting/audit services		-	-	-	25,804	-	25,804
Other purchased/professional/consulting services		170,639	55,290	225,929	111,689	-	337,618
Occupancy		3,496,595	929,449	4,426,044	159,082	-	4,585,126
Repair and maintenance		592,277	100,404	692,681	71,530	-	764,211
Insurance		107,183	34,729	141,912	-	-	141,912
Utilities		115,904	19,498	135,402	14,115	-	149,517
Supplies/materials		241,992	78,409	320,401	-	-	320,401
Equipment/furnishings		10,054	3,258	13,312	-	-	13,312
Staff development		43,712	9,346	53,058	3,766	-	56,824
Marketing/recruitment		87,633	26,951	114,584	1,128	-	115,712
Technology		365,793	67,711	433,504	39,720	-	473,224
Student services		334,955	108,530	443,485	-	-	443,485
Office expense		97,944	16,477	114,421	24,889	-	139,310
Depreciation and amortization		1,666,703	280,388	1,947,091	202,974	-	2,150,065
Other		33,660	16,017	49,677	9,483	-	59,160
Total Expenses		<u>\$ 14,519,248</u>	<u>\$ 3,199,018</u>	<u>\$ 17,718,266</u>	<u>\$ 1,737,146</u>	<u>\$ 95,797</u>	<u>\$ 19,551,209</u>

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Democracy Preparatory Endurance Charter School
Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	16	\$ 828,071	\$ 177,444	\$ 1,005,515	\$ 635,974	\$ -	\$ 1,641,489
Instructional personnel	83	5,553,061	382,345	5,935,406	-	-	5,935,406
Non-instructional personnel	5	155,890	51,164	207,054	-	-	207,054
Total Personnel Services Costs	<u>104</u>	<u>6,537,022</u>	<u>610,953</u>	<u>7,147,975</u>	635,974	-	7,783,949
Fringe benefits and payroll taxes		1,011,952	92,204	1,104,156	99,798	-	1,203,954
Retirement		84,279	7,733	92,012	8,280	-	100,292
Management company fees		1,483,908	582,964	2,066,872	450,472	132,492	2,649,836
Legal services		-	-	-	4,908	-	4,908
Accounting/audit services		-	-	-	22,169	-	22,169
Other purchased/professional/consulting services		355,484	94,621	450,105	7,590	-	457,695
Occupancy		5,585,577	512,493	6,098,070	548,782	-	6,646,852
Repair and maintenance		848,333	77,837	926,170	83,349	-	1,009,519
Insurance		113,232	30,139	143,371	-	-	143,371
Utilities		3,917	359	4,276	385	-	4,661
Supplies/materials		347,276	92,436	439,712	-	-	439,712
Equipment/furnishings		18,143	4,829	22,972	-	-	22,972
Staff development		14,064	1,295	15,359	1,379	-	16,738
Marketing/recruitment		88,301	21,907	110,208	899	-	111,107
Technology		306,352	33,504	339,856	27,060	-	366,916
Student services		258,729	68,867	327,596	-	-	327,596
Office expense		69,757	6,400	76,157	14,746	-	90,903
Depreciation and amortization		495,731	45,485	541,216	48,705	-	589,921
Other		24,560	7,102	31,662	19,450	-	51,112
Total Expenses		<u>\$ 17,646,617</u>	<u>\$ 2,291,128</u>	<u>\$ 19,937,745</u>	<u>\$ 1,973,946</u>	<u>\$ 132,492</u>	<u>\$ 22,044,183</u>

**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
Democracy Prep New York Charter Schools**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Democracy Prep New York Charter Schools (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 29, 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 29, 2025