



Destine Preparatory
Charter School

FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

DESTINE PREPARATORY CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Destine Preparatory Charter School

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Destine Preparatory Charter School (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, cash flows and functional expenses 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 Destine Preparatory Charter 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Destine Preparatory Charter 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 Destine Preparatory Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Destine Preparatory Charter 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 Destine Preparatory Charter School's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025, on our consideration of Destine Preparatory Charter 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 Destine Preparatory Charter 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 Destine Preparatory Charter School’s internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA’S LLC

Latham, New York
October 27, 2025

DESTINE PREPARATORY CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Current Assets		
Cash - Operating	\$ 291,785	\$ 190,778
Grants and Contracts Receivable, Net	167,507	309,829
Prepaid Expenses	1,990	27,816
Total Current Assets	<u>461,282</u>	<u>528,423</u>
Other Assets		
Cash - Designated	5,001	5,000
Property and Equipment, Net	511,518	629,103
Operating Lease Right-of-Use Assets	912,066	1,275,621
Total Other Assets	<u>1,428,585</u>	<u>1,909,724</u>
Total Assets	<u>\$ 1,889,867</u>	<u>\$ 2,438,147</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Line of Credit Payable	\$ 50,000	\$ 9,821
Operating Lease Liability, Current Portion	422,344	363,555
Accounts Payable and Accrued Expenses	412,267	347,830
Compensated Absences	17,041	3,619
Refundable Advances	-	43,405
Total Current Liabilities	<u>901,652</u>	<u>768,230</u>
Long-Term Liabilities		
Operating Lease Liability, Net of Current Portion	<u>489,722</u>	<u>912,066</u>
Total Liabilities	<u>1,391,374</u>	<u>1,680,296</u>
Net Assets Without Donor Restrictions		
Undesignated	493,492	752,851
Designated	5,001	5,000
Total Net Assets	<u>498,493</u>	<u>757,851</u>
Total Liabilities and Net Assets	<u>\$ 1,889,867</u>	<u>\$ 2,438,147</u>

DESTINE PREPARATORY CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Revenue:		
Public School District		
Resident Student Enrollment	\$ 3,096,278	\$ 2,042,489
Students with Disabilities	-	56,218
Grants and Contracts		
Federal Grants	151,814	731,757
Food Service / Child Nutrition	<u>230,802</u>	<u>164,424</u>
Total Revenue	<u>3,478,894</u>	<u>2,994,888</u>
Expenses:		
Program Services		
Regular Education	2,253,988	1,763,459
Special Education	165,961	195,669
Other Education	<u>621,239</u>	<u>419,145</u>
Total Program Services	3,041,188	2,378,273
Supporting Services		
Management and General	<u>721,939</u>	<u>379,630</u>
Total Expenses	<u>3,763,127</u>	<u>2,757,903</u>
Surplus (Deficit) from School Operations	(284,233)	236,985
Other Revenue:		
Contributions	-	26,500
E-Rate Income	8,037	7,443
Interest Income	91	76
Fundraising	1,747	2,134
Miscellaneous	15,000	-
Refund of Prior Year Expense	<u>-</u>	<u>42,869</u>
Total Other Revenue	<u>24,875</u>	<u>79,022</u>
Change in Net Assets	(259,358)	316,007
Net Assets, Beginning of Year (As Restated)	<u>757,851</u>	<u>441,844</u>
Net Assets, End of Year	<u>\$ 498,493</u>	<u>\$ 757,851</u>

DESTINE PREPARATORY CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ (259,358)	\$ 316,007
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities		
Depreciation	192,527	100,795
Changes in Operating Assets & Liabilities		
(Increase) Decrease in Assets		
Grants and Contracts Receivable, Net	142,322	389,122
Contributions Receivable	-	35,000
Prepaid Expenses	25,826	(7,106)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	64,437	295,144
Compensated Absences	13,422	3,619
Refundable Advances	<u>(43,405)</u>	<u>(23,888)</u>
Net Cash Provided By (Used In) Operating Activities	<u>135,771</u>	<u>1,108,693</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	<u>(74,942)</u>	<u>(490,682)</u>
Cash Flows From Financing Activities		
Proceeds from Line of Credit	52,739	10,201
Payments on Line of Credit	(12,560)	(380)
Repayments of Long-Term Debt	<u>-</u>	<u>(500,674)</u>
Net Cash Provided By (Used In) Financing Activities	<u>40,179</u>	<u>(490,853)</u>
Change in Cash	101,008	127,158
Cash, Beginning of Year	<u>195,778</u>	<u>68,620</u>
Cash, End of Year	<u>\$ 296,786</u>	<u>\$ 195,778</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	<u>\$ 2,360</u>	<u>\$ 28,159</u>

Note: Cash includes Operating and Designated

DESTINE PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Program Services</u>				<u>Supporting Services</u>	
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Staff Personnel	\$ 84,885	\$ -	\$ -	\$ 84,885	\$ 339,542	\$ 424,427
Instructional Personnel	887,500	70,000	-	957,500	-	957,500
Non-Instructional Personnel	-	-	264,521	264,521	-	264,521
Total Salaries and Staff	972,385	70,000	264,521	1,306,906	339,542	1,646,448
Fringe Benefits and Payroll Taxes	199,449	14,358	57,865	271,672	88,493	360,165
Retirement	22,087	1,590	6,408	30,085	9,800	39,885
Legal Service	31,913	2,297	-	34,210	11,143	45,353
Accounting / Audit Services	15,128	1,089	-	16,217	5,283	21,500
Other Purchased / Professional / Consulting Services	161,055	15,294	-	176,349	57,443	233,792
Rent	343,378	24,719	32,205	400,302	87,698	488,000
Repairs and Maintenance	76,185	5,485	7,145	88,815	19,458	108,273
Insurance	18,733	1,349	1,757	21,839	4,784	26,623
Supplies / Materials	85,792	6,176	-	91,968	-	91,968
Staff Development	14,968	1,078	-	16,046	-	16,046
Marketing / Recruitment	44,922	3,234	-	48,156	15,686	63,842
Technology	76,085	5,477	-	81,562	26,568	108,130
Food Service	-	-	232,592	232,592	-	232,592
Student Services	22,838	1,644	15,750	40,232	-	40,232
Office Expense	31,939	2,299	2,996	37,234	8,157	45,391
Depreciation	135,471	9,752	-	145,223	47,304	192,527
Interest Expense	1,660	120	-	1,780	580	2,360
Total Expenses	\$ 2,253,988	\$ 165,961	\$ 621,239	\$ 3,041,188	\$ 721,939	\$ 3,763,127

DESTINE PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2024

	Program Services				Supporting Services	
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Staff Personnel	\$ 43,028	\$ -	\$ -	\$ 43,028	\$ 172,112	\$ 215,140
Instructional Personnel	643,073	75,763	-	718,836	-	718,836
Non-Instructional Personnel	-	-	171,885	171,885	-	171,885
Total Salaries and Staff	686,101	75,763	171,885	933,749	172,112	1,105,861
Fringe Benefits and Payroll Taxes	101,472	11,189	26,520	139,181	31,442	170,623
Retirement	18,796	2,073	4,912	25,781	5,824	31,605
Legal Service	10,055	1,110	-	11,165	2,522	13,687
Accounting / Audit Services	14,325	1,582	-	15,907	3,593	19,500
Other Purchased / Professional / Consulting Services	168,399	19,555	-	187,954	42,461	230,415
Rent	334,365	36,922	29,231	400,518	54,646	455,164
Repairs and Maintenance	62,234	6,872	5,441	74,547	10,171	84,718
Insurance	12,511	1,382	1,094	14,987	2,044	17,031
Supplies / Materials	97,056	10,717	-	107,773	-	107,773
Staff Development	13,965	1,542	-	15,507	-	15,507
Marketing / Recruitment	22,748	2,512	-	25,260	5,706	30,966
Technology	79,062	8,730	-	87,792	19,833	107,625
Food Service	-	-	177,113	177,113	-	177,113
Student Services	13,904	1,535	-	15,439	-	15,439
Office Expense	33,735	3,725	2,949	40,409	5,513	45,922
Depreciation	74,045	8,176	-	82,221	18,574	100,795
Interest Expense	20,686	2,284	-	22,970	5,189	28,159
Total Expenses	<u>\$ 1,763,459</u>	<u>\$ 195,669</u>	<u>\$ 419,145</u>	<u>\$ 2,378,273</u>	<u>\$ 379,630</u>	<u>\$ 2,757,903</u>

DESTINE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

1. ORGANIZATION AND PURPOSE

Organization

Destine Preparatory Charter School (the School), located in Schenectady, New York, is a not-for-profit education corporation chartered by the Board of Trustees of the State University of New York (SUNY Trustees). The School plans to develop scholars in Kindergarten to 5th grade to become future change makers through rigorous academics, social and emotional learning, and affirmation of their identities.

On October 7, 2021, the School was granted a provisional charter for a term up to and including July 31, 2027. The School opened in Fall 2022.

As of June 30, 2025, the School had an enrollment of 199 students in K to 3rd grade.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies and Financial Statement Presentation

The following summarizes the significant accounting policies consistently applied in the preparation of the School's financial statements, with references to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) where applicable.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. This basis of accounting is in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

A substantial portion of the School's revenue and related receivables is derived from its billing to Schenectady City School District. State law requires Districts to reimburse the School on a per capita basis. These revenues are recognized ratably over the related school year during which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants, contributions and unconditional promises to give are measured at their fair values and reported as an increase in net assets. The School reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. The School reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized in accordance with a five-step model as follows:

- Identify the contract with the customer
- Identify the performance obligation(s) in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation(s) in the contract
- Recognize revenue when earned or as performance obligation(s) are satisfied

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2025 and 2024.

Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third party payors for the School's contracts related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding and other sources for the School's contracts for services not yet performed that are expected to be performed within the next fiscal year. There were contract liabilities of \$0 and \$43,405 at June 30, 2025 and 2024, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Directly identifiable expenses are charged to the programs and supporting services benefitted. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Administrative expenses include those expenses not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Grants and Contracts Receivable, Net

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than 90 days. Management has determined an allowance of \$7,647 and \$0 was necessary as of June 30, 2025 and 2024, respectively.

Conditional and Unconditional Promises to Give

At June 30, 2025 and 2024, the School had not received any conditional or unconditional promises to give.

Property, Equipment and Depreciation

Acquisitions of property and equipment in excess of \$5,000 and that have a useful life in excess of one year are capitalized and recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs not improving or extending the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets (ranging from 3 to 39 years) and is computed using the straight-line method.

Compensated Absences

Full time or salaried employees are entitled to paid time off (PTO) each year. PTO can be used for vacation, sick or personal leave. Eligible staff may carry over twenty-eight (28) hours of into the subsequent year. For carryover purposes, PTO accrues as of the eligible employee's anniversary date. An employee who terminates their employment with the School, either voluntarily or involuntarily, will be paid only for the unused vacation time that has been earned in the calendar year in which termination occurs. The School carries a liability of \$17,041 and \$3,619 as of June 30, 2025 and 2024, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The School determines if an arrangement is or contains a lease at inception. Leases are included in Right-of-Use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent, as applicable. The School has determined that lease amortization is a reasonable basis for ROU asset balances. The School does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the School and changes therein are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Estimates

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

Advertising Costs

The School expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2025 and 2024 were \$63,842 and \$30,966, respectively, and are reported in the statements of functional expenses as marketing and recruitment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as a school that is not a private foundation under Section 509(a).

Donated Services

The School received donated services from unpaid volunteers who assisted in fund raising, office administration and program activities. For the services donated, the criteria for recognition in these financial statements of such volunteer effort was not met and, therefore, no revenue and expense has been reflected in these financial statements. Management has estimated that volunteers have provided approximately 100 hours in assisting the School in each of the years ended June 30, 2025 and 2024.

Fair Value

The ASC requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable input to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the School would receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Accounting for Uncertainty in Income Taxes

The School follows the ASC, *Accounting for Income Taxes*, and their current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. The School has not recognized any benefits from uncertain tax positions in 2025 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the statement of financial position date of June 30, 2025.

Information returns filed by the School are subject to examination by taxing authorities up to three years after the extended due date of each return. Forms 990 and state income tax filings (if applicable) for the School are no longer subject to examination for the year ended June 30, 2021 and prior.

Reclassifications

Certain 2024 amounts have been reclassified to conform with the 2025 financial statement presentation.

DESTINE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The School follows the ASC, *Subsequent Events*, which establishes general standards of accounting for, and disclosure of, events that occur after the date of the financial statements but before the financial statements are issued or are available to be issued. In the preparation of these financial statements and notes thereto, management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 27, 2025, the date the financial statements were available to be issued. No such events or transactions were identified by management.

3. BOARD DESIGNATED CASH

The School has internally designated cash in the amount of \$5,001 and \$5,000 as of June 30, 2025 and 2024, respectively, which is comprised of the following:

	<u>2025</u>	<u>2024</u>
Dissolution Escrow (1)	\$ 5,001	\$ 5,000

(1) As required in the School's Charter Agreement

4. GRANTS AND CONTRACTS RECEIVABLE, NET

At June 30, 2025 and 2024, net grants and contracts receivable were comprised of the following:

	<u>2025</u>	<u>2024</u>
School District Tuition	\$ 35,931	\$ 74,253
Grants Receivable	116,576	235,576
Other Contracts	<u>15,000</u>	<u>-</u>
	<u>\$ 167,507</u>	<u>\$ 309,829</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Leasehold Improvements	\$ 118,489	\$ 78,140
Equipment	345,214	324,430
Furniture and Fixtures	<u>389,314</u>	<u>375,505</u>
Total at Cost	853,017	778,075
Less: Accumulated Depreciation	<u>(341,499)</u>	<u>(148,972)</u>
	<u>\$ 511,518</u>	<u>\$ 629,103</u>

DESTINE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

5. PROPERTY AND EQUIPMENT, NET (CONTINUED)

Depreciation expense was \$192,527 and \$100,795 for the years ended June 30, 2025 and 2024, respectively.

6. LINE OF CREDIT PAYABLE

The School has available a \$50,000 line of credit with a financial institution bearing an interest rate of 11% and 12% at June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, \$50,000 and \$9,821, respectively, were drawn on this line. The note is collateralized by the School's assets and is subject to various covenants.

7. LOAN PAYABLE

On June 27, 2022, the School entered into a loan agreement with the Raza Development Fund that allowed them to draw up to \$750,000 in funds. Total proceeds from the loan agreement totaled \$500,674, which was drawn in the fiscal year ending June 30, 2023 and satisfied in full as of June 30, 2024.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

The School entered into a building lease in 2023 for 47 months and two leases for office equipment in 2022 and 2023 for 60 months each. The leases may include a fixed monthly payment and separate non-lease component payments to the lessor based on property taxes and insurance costs as well as a portion of the common area maintenance associated with the property, as applicable.

Components in the School's leases are accounted for following the guidance in ASC 842 for the capitalization of long-term leases. At June 30, 2025, the lease liability is equal to the present value of the remaining lease payments. As the rate implicit in the leases is not known, the incremental borrowing rate of 12% was used as the discount rate, as of the lease commencement dates. Fair values are determined using a Level 3 measurement involving significant unobservable inputs.

Amounts recognized as right-of-use assets and lease liabilities are included in the statement of financial position as follows:

	<u>2025</u>	<u>2024</u>
Right-of-Use Assets	\$ 912,066	\$ 1,275,621
Current Portion of Lease Payable	422,344	363,555
Long-Term Portion of Lease Payable	<u>489,722</u>	<u>912,066</u>
Total Lease Payable	<u>\$ 912,066</u>	<u>\$ 1,275,621</u>

Non-lease component payments relating to this lease have been expensed in the period incurred.

DESTINE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITY (CONTINUED)

Rent expense relating to operating leases was as follows and is included in the Rent and Office Expense lines of the Statement of Functional Expenses:

	<u>2025</u>	<u>2024</u>
Fixed Rent Expenses	\$ <u>497,067</u>	\$ <u>471,382</u>

Future undiscounted cash flows for the next five years using a discount rate of 12% and a reconciliation to the operating lease liability recognized on the statement of financial position are as follows as of June 30, 2025:

Years ending June 30,		
2026		\$ 509,064
2027		515,063
2028		7,078
2029		<u>847</u>
Total lease payments		1,032,052
Less imputed interest		<u>(119,986)</u>
Total present value of operating lease liability		912,066
Current installments of operating lease liability		<u>(422,344)</u>
Long-term portion of operating lease liability		<u>\$ 489,722</u>

9. RETIREMENT PLAN

The School has a retirement plan (“Plan”) under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate. Employees may elect to defer a portion of their salary and contribute to the Plan up to statutory amounts and receive a discretionary employer-based contribution. Both employee and employer contributions are 100% vested. The School contributed \$39,885 and \$31,605 to the Plan for the years ended June 30, 2025 and 2024, respectively.

10. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where students reside. One school district and one government grant comprised approximately 88% and 85% of total revenue for the years ended June 30, 2025 and 2024, respectively. No other funding source accounted for more than 10% of total revenue.

The School does occasionally maintain deposits in excess of federal insured limits. The ASC identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

DESTINE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2025 AND 2024

10. CONCENTRATION OF RISK (CONTINUED)

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These changes, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The School has \$459,292 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of operating cash of \$291,785 and net grants and contracts receivable of \$167,507. The School has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$620,000. The School has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

12. RESTATEMENT

The School's net assets for the year ended June 30, 2023 have been restated to correct the financial statements for the following errors:

Net Assets, as originally restated (June 30, 2023)	\$ 241,844
Grants and Contracts Receivable (understated)	<u>200,000</u>
Net Assets, as restated, June 30, 2023	<u>\$ 441,844</u>

The original net deficit as of June 30, 2023, as restated by the current auditors for the year ended June 30, 2024 to a net asset balance, was audited by other auditors whose report, dated November 20, 2023, expressed an unmodified opinion.

**ADDITIONAL REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Destine Preparatory Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Destine Preparatory Charter School (the School) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Destine Preparatory Charter 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 Destine Preparatory Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of Destine Preparatory Charter 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 Destine Preparatory Charter 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 27, 2025