

Intellectus Preparatory Charter School

Audited Financial Statements

June 30, 2025

Intellectus Preparatory Charter School

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Intellectus Preparatory Charter School

Qualified Opinion

We have audited the accompanying financial statements of Intellectus Preparatory Charter School (the "School"), 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.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As disclosed in Note 5 and 9, as of June 30, 2025, the School had a deficiency in net assets without donor restrictions amounting to \$1,079,683, and its current liabilities exceeded current assets by \$1,622,566, indicating significant financial strain. Additionally, the School's ability to continue operations beyond March 2026 depends on the successful resolution of the loan maturing with Building Hope Finance, for which management has not yet secured a definitive plan.

We were unable to obtain sufficient appropriate audit evidence to conclude on the School's ability to generate the level of funding and operating cash flows required to meet its obligations as they come due, including the loan maturing with Building Hope Finance in March 2026. As described in Note 9, management is actively working on plans to address this uncertainty. We are unable to determine whether any adjustments might be necessary to the accompanying financial statements related to this matter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 it is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

The financial statements of the School as of and for the year ended June 30, 2024, were audited by us, and we expressed an unmodified opinion on those financial statements in our report dated January 14, 2025. In our opinion, the summarized comparative information presented herein as of and the year ended June 30, 2024, is consistent, in all material respects with the audited financial statements from which it was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

RLN US LLP

New York, NY
October 31, 2025

Intellectus Preparatory Charter School
Statement of Financial Position
As of June 30, 2025
(With comparative totals as of June 30, 2024)

	June 30,	
	2025	2024
Assets		
Cash and cash equivalents	\$ 87,456	\$ 38,163
Government grants receivable	33,542	321,644
Prepaid expenses and other assets	19,252	12,896
Security deposit	87,388	79,063
Fixed assets, net	499,049	611,020
Operating lease right-of-use asset	1,396,301	1,832,067
Total assets	\$ 2,122,988	\$ 2,894,853
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	512,816	415,587
Loan payable	1,250,000	1,250,000
Operating lease liability	1,439,855	1,861,103
Total liabilities	\$ 3,202,671	\$ 3,526,690
Net assets		
Without donor restrictions	(1,079,683)	(631,837)
Total liabilities and net assets	\$ 2,122,988	\$ 2,894,853

The accompanying notes are an integral part of these financial statements

Intellectus Preparatory Charter School
Statement of Activities
For the year ended June 30, 2025
(With comparative totals for the year ended June 30, 2024)

	Total 6/30/25	Total 6/30/24
Public support and revenue		
Resident student enrollment	\$ 1,784,065	\$ 1,663,356
Students with special education services	87,684	56,284
Subtotal public school district revenue	1,871,749	1,719,640
Other government grants	182,024	464,967
Contributions	8,989	16,467
Other Income	1,203	2,957
Total public support and revenue	2,063,965	2,204,031
Expenses		
Program services:		
Regular education	1,639,265	1,471,910
Special education	166,416	263,723
Total program services:	1,805,681	1,735,633
Supporting services:		
Management and general	706,130	558,671
Total expenses	2,511,811	2,294,304
 Change in net assets	 (447,846)	 (90,273)
Net assets - beginning of year	(631,837)	(541,564)
Net assets - end of year	\$ (1,079,683)	\$ (631,837)

The accompanying notes are an integral part of these financial statements

Intellectus Preparatory Charter School
Statement of Functional Expenses
For the year ended June 30, 2025
(With comparative totals for the year ended June 30, 2024)

	No. of positions	Program Services			Supporting Services	Total Expenses 6/30/25	Total Expenses 6/30/24
		Regular Education	Special Education	Total Program Services	Management and General		
Salaries:							
Administrative staff personnel	6	229,369	20,643	250,012	189,816	439,828	484,004
Instructional personnel	8	545,447	49,091	594,538	-	594,538	579,716
Non-Instructional personnel	1	15,614	1,405	17,019	-	17,019	1,923
Total personnel costs		\$ 790,430	\$ 71,139	\$ 861,569	\$ 189,816	\$ 1,051,385	\$ 1,065,643
Payroll taxes and employee benefits		127,902	14,356	142,258	31,341	173,599	121,851
Professional fees		1,798	202	2,000	227,318	229,318	82,412
Curriculum and classroom expenses		44,139	4,954	49,093	-	49,093	27,524
Occupancy and facility costs		480,930	53,982	534,912	117,850	652,762	601,594
Food services		44,972	5,048	50,020	-	50,020	92,533
Non-capitalized equipment and furnishings		10,473	1,175	11,648	2,566	14,214	19,531
Office expense		19,284	2,164	21,448	4,725	26,173	33,753
Insurance		35,573	3,993	39,566	8,716	48,282	20,117
Student and staff recruitment		1,270	142	1,412	17,578	18,990	25,863
Interest expense		-	-	-	81,250	81,250	81,250
Other expenses		-	-	-	4,755	4,755	12,233
Depreciation		82,495	9,260	91,755	20,215	111,970	110,000
Total other than personnel costs		\$ 848,835	\$ 95,277	\$ 944,112	\$ 516,314	\$ 1,460,426	\$ 1,228,661
Total expenses		\$ 1,639,265	\$ 166,416	\$ 1,805,681	\$ 706,130	\$ 2,511,811	\$ 2,294,304

The accompanying notes are an integral part of these financial statements

Intellectus Preparatory Charter School
Statement of Cash Flows
For the year ended June 30, 2025
(With comparative totals for the year ended June 30, 2024)

	June 30,	
	2025	2024
Cash flows from operating activities		
Changes in net assets	\$ (447,846)	\$ (90,273)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	111,970	110,000
Change in operating right-of-use asset and liability	14,518	14,518
Changes in assets and liabilities:		
Government grants receivable	288,102	(194,202)
Prepaid expenses and other assets	(6,356)	25,635
Security deposit	(8,325)	-
Accounts payable and accrued expenses	97,230	190,948
Total adjustments	497,140	146,899
Net cash provided by operating activities	49,293	56,626
Cash flows from investing activities		
Purchase of property and equipment	-	(19,256)
Net cash (used for) investing activities	-	(19,256)
Net increase in cash and cash equivalents	49,293	37,370
Cash and cash equivalents – beginning of year	\$ 38,163	\$ 793
Cash and cash equivalents – end of year	\$ 87,456	\$ 38,163
Supplemental cash flow information		
Interest and taxes paid	\$ 81,250	\$ 81,250

The accompanying notes are an integral part of these financial statements

Intellectus Preparatory Charter School

Notes to Financial Statements For the Year Ended June 30, 2025

Note 1 - Nature of the Organization

Intellectus Preparatory Charter School (the "School"), located in Mount Vernon, 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 deliver an equitable educational experience for scholars in grades 6-12. Through experiential learning, restorative practice and personal development, scholars are prepared to compete academically, contribute socially, and choose their pathway to college and career. The School completed the 2024-2025 school year, with an enrollment of approximately 109 students in grades 6, 7, 8 and 9. (2023-2024: approximately 70 students in grades 6, 7 and 8).

On June 15, 2021, the School was granted a provisional charter for a term up to and including July 31, 2027. The School opened in Fall 2022.

The School has the following programs:

- Regular Education - Instruction provided to all students.
- Special Education - Instruction that is specially designed to meet the unique needs of students with disabilities.

The School has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. They have not been designated as a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred, rather than received or paid.

c. Basis of Presentation

The School reports information regarding their financial position and activities in the following classes of net assets:

- Net Assets Without Donor Restrictions - represents those resources for which there are no restrictions by donors as to their use.
- Net Assets With Donor Restrictions - represents contributions and the net residual of assets with donor-imposed restrictions that are expected to be satisfied by performing certain activities or through the passage of time. The School had no donor restricted net assets at June 30, 2025.

Intellectus Preparatory Charter School

Notes to Financial Statements For the Year Ended June 30, 2025

Note 2 - Summary of Significant Accounting Policies - Continued

d. Revenue Recognition

The School follows the requirements of the FASB's Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized when a contribution becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a 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. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

The School evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the School to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions and fall under FASB ASC 958-605. Revenue from these transactions is recognized based on rates established by the School's funding sources and when performance related outcomes are achieved, or qualifying expenditures are incurred as well as other conditions under the agreements are met.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

The Organization applies FASB Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses ("Topic 326"). Financial assets, which potentially subject the Organization to credit losses, are evaluated for collectability. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset.

The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions. Based on the analysis performed on the open accounts receivable aging and detail analysis of the customers, the Organization did not record an allowance for bad debt as of June 30, 2025.

e. Cash and Cash Equivalents

The School considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Intellectus Preparatory Charter School

Notes to Financial Statements For the Year Ended June 30, 2025

Note 2 - Summary of Significant Accounting Policies - Continued

f. Concentration of Credit Risk

Financial instruments that potentially subject the School to a concentration of credit risk consist of checking and money market accounts, and investment securities which are placed with financial institutions that management deems to be creditworthy. There were no balances in excess of insured amounts at June 30, 2025, and the School did not suffer any losses due to bank failure.

g. Fixed Assets

Equipment and furniture that exceed \$5,000 and that have a useful life of greater than one year are recorded at cost or at fair value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Leasehold improvements - *life of lease*

Furniture and fixtures - *3 years*

Computers and equipment - *5 years*

h. Leases

The School determines if an arrangement is or contains a lease at inception. Leases are included in 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. The change in operating lease right-of-use asset and liability on the statement of cash flows includes the amortization of the ROU asset and cash payments for leases offset by the accretion of the discounted lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. 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.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

Salaries were allocated using time and effort as the basis. The following costs were allocated using the salary allocation as the basis:

- Payroll taxes and employee benefits
- Occupancy and facility costs
- Non-capitalized equipment and furnishings
- Office expense
- Insurance
- Depreciation

Intellectus Preparatory Charter School

Notes to Financial Statements
For the Year Ended June 30, 2025

Note 2 - Summary of Significant Accounting Policies - Continued

i. Functional Allocation of Expenses - Continued

Certain program expenses have been allocated between Regular Education and Special Education based on student FTE rates. All other expenses have been charged directly to the applicable program or supporting services.

j. Advertising Costs

Advertising costs are expensed as incurred.

k. Management 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 and disclosures. Actual results could differ from those estimates.

l. Contingencies

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified, if it is probable that a liability has been incurred.

In the normal course of business, the School is involved in proceedings, lawsuits, and other claims. These matters are subject to many uncertainties, and outcomes are not predictable with a high degree of assurance. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of June 30, 2025 cannot be ascertained. Management believes that the final outcome of these matters will not have a material impact on the financial statements of the School.

m. Accounting for Uncertainty of Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2025, the School's initial filing, and later are subject to examination by applicable taxing authorities.

Note 3 - Property and Equipment

Property and equipment consist of the following:

	June 30,	
	2025	2024
Leasehold improvements	\$ 687,754	\$ 687,754
Furniture and fixtures	71,405	71,405
Computers and equipment	58,753	58,753
	817,912	817,912
Less depreciation and amortization	(318,863)	(206,892)
Total property and equipment, net	\$ 499,049	\$ 611,020

Intellectus Preparatory Charter School

Notes to Financial Statements
For the Year Ended June 30, 2025

Note 4 - Right-of-Use Asset and Operating Lease Liability

The School evaluated current contracts to determine which met the criteria of a lease. The School leases space in Mount Vernon, NY under a non-cancelable lease which expires on June 30, 2025. The lease term includes three consecutive one-year extension options, which the School is reasonably certain to exercise. Therefore, the payments associated with these extensions are included in the ROU asset and lease liability recognized as of June 30, 2025. This lease has been determined to be an operating lease.

The ROU assets represent the School's right to use underlying assets for the lease term, and the lease liabilities represent the School's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms using the School's incremental borrowing rate for this calculation. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2025, was 3.26%. As of June 30, 2025, the weighted average remaining lease term for the School's operating lease was 12 months.

For the year ended June 30, 2025, the total operating lease cost was \$488,893. Cash paid for the operating lease for the year ended June 30, 2025, totaled \$474,375.

Future maturities of lease liabilities are presented in the following table:

Year ending:		
	June 30, 2026	\$ 488,606
	June 30, 2027	503,264
	June 30, 2028	518,363
Total lease payments		1,510,233
Less present value discount		(70,378)
Total lease obligations		\$ 1,439,855

Note 5 - Loan Payable

On March 11, 2022, the School entered into a loan agreement with Building Hope Finance for the purpose of funding leasehold improvements, rent, security deposit, and other operating costs of the School. Total proceeds from the loan agreement totaled \$1,250,000, which is fully outstanding on June 30, 2025.

The loan was originally scheduled to mature on March 11, 2025. The School and the lender executed a Second Amendment to the Loan Agreement, which extended the maturity date to March 11, 2026. Under the terms of the amended agreement, the School is required to make interest-only payments on the outstanding principal balance through the new maturity date. The entire principal balance and any unpaid interest will be due in full at maturity.

Interest accrues on a monthly basis at a rate of 6.5% and is payable each month.

Intellectus Preparatory Charter School

Notes to Financial Statements For the Year Ended June 30, 2025

Note 5 – Loan Payable - Continued

The loan agreement is secured by the School’s personal property, and the lender holds a first-priority lien on such assets. The School is required to comply with certain financial and operational covenants, including maintaining minimum cash and coverage ratios, providing financial reports, and allowing the lender to attend quarterly Board of Trustees meetings beginning in September 2025.

In connection with the Second Amendment, the lender agreed to defer enforcement of prior defaults and provide a one-year extension, provided that the School complies with the new covenants. These include provisions allowing the lender to require a Control Agreement over the School’s bank accounts or the engagement of an Independent Consultant to review operations if certain events of default occur.

Interest expense for the year ended June 30, 2025 was \$81,250.

Note 6 - Significant Concentrations

The School is dependent upon grants from public school districts to carry out its operations. Approximately 91% of the School’s total public support and revenue was received from Mount Vernon and other public school districts for the year ended June 30, 2025. If the public-school districts were to discontinue funding, this would have a severe economic impact on the School’s ability to operate.

Note 7 - Availability and Liquidity

The School’s financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash and cash equivalents	\$ 87,456
Government grants receivable	33,542
Financial assets available to meet cash needs for general expenditures within one year	\$ 120,998

There are no external or internal limits imposed on these balances. As part of its liquidity management, the School operates its programs within a board approved budget and relies on grants and contributions to fund its operations and program activities.

Note 8 - Subsequent Events

Subsequent events have been evaluated through October 31, 2025, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all material subsequent events that have occurred.

Intellectus Preparatory Charter School

Notes to Financial Statements
For the Year Ended June 30, 2025

Note 9 - Going Concern

The School had significant losses over the periods. As a result, the statement of financial position reflects a net asset deficit balance of \$1,079,683 at June 30, 2025. In addition, cash on hand is not sufficient to meet the amount of current liabilities, including a loan payable in the amount of \$1,250,000, which can be called from the lender if the School fails to meet certain debt covenants.

Management acknowledges the significant losses from inception through June 30, 2025, as well as the net asset deficit and the insufficient cash on hand to meet current liabilities. These financial challenges primarily stem from initial investments in program development, operational startup costs and higher facility costs, and consistent enrollment shortfalls, year over year.

To address these concerns and ensure the School's financial stability moving forward, management has implemented the following measures:

The School is actively expanding student enrollment through targeted outreach programs, enhanced marketing strategies, and community partnerships, which will directly increase state funding and reduce per-student operational costs. Simultaneously, management has initiated a comprehensive expense review, identifying cost-saving opportunities without compromising educational quality. Efforts are underway to manage and refinance existing debt through lender negotiations aimed at securing favorable terms to meet debt covenants and stabilize cash flow. Additionally, management is pursuing new funding sources, including grants, philanthropic contributions, and federal/state funding, while implementing a fundraising strategy to build financial reserves for future contingencies. Operational efficiencies are being enhanced through optimized staffing models, streamlined administrative processes, and technology integration to reduce overhead costs while maintaining program excellence. Management remains committed to addressing these financial challenges and has confidence that the strategic actions outlined above will enable the School to achieve financial stability and fulfill its mission.

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

To the Board of Trustees of
Intellectus 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 Intellectus Preparatory Charter School (the "School"), which comprise the statement of financial position as of and for the year ended June 30, 2025, and the related statements of activities, functional expenses, and cash flows for year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 have not been 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-001.

School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RLN US LLP

New York, NY
October 31, 2025

Intellectus Preparatory Charter School

Schedule of Findings and Questioned Costs

June 30, 2025

Current Year:

2025-001 – Minimum Escrow Account Balances

Criteria: The State University of New York requires every charter school to create a dissolution reserve account for purposes of school closure and/or dissolution. After three years of operation a charter school is required to maintain a minimum balance in its escrow account of \$75,000.

Condition: The School did not have an escrow account as of June 30, 2025.

Cause: The School was unable to fund the escrow account due to operational shortfalls.

Effect: The School was not in compliance with its charter school agreement nor the State University of New York's requirements for minimum escrow deposits.

Repeat finding: 2024-003

Recommendation: The School should take steps to ensure its escrow account is properly funded.

Views of Responsible Officials: See management corrective action plan attached.

Prior year Follow-Up:

2024-001 – Timely submission of Audited Financial Statements

Finding: The audited financial statements were not completed and submitted by the required deadline.

Status: Resolved.

2024-002 – Account Analysis

Finding: The books and records were not ready to start the audit in a timely manner. Several audit adjustments were needed to clean and correct accounts.

Status: In Process. The School has engaged a new external accounting consultant to assist in strengthening its month-end close and reconciliation processes. The corrective actions are currently underway; therefore, the status of this finding is in process.



Corrective Action Plan

Audit Finding: 2025-001 – Minimum Escrow Account Balances

Action Plan:

To correct non-compliance with the SUNY charter escrow requirement and prevent recurrence, the School will execute the following plan:

1. **Financial Planning:** Incorporate the \$75,000 minimum escrow balance into both the 2025-26 budget and 2026-27 budget adjustments. Identify cost-savings and revenue enhancements to fully fund the balance.
2. **Gradual Funding:** Make monthly deposits to reach \$50,000 as budgeted in the FY26 budget into an escrow account, and identify additional funding sources to achieve the full \$75,000 escrow requirement by June 2026.
3. **Compliance Monitoring:** Include escrow account status in monthly financial reviews and board reports.
4. **Stakeholder Communication:** Provide quarterly progress updates to SUNY until the account is fully funded.

Anticipated Completion Date: June 30, 2026

Official Responsible: Kenyah Miller, CEO/Executive Director

2024-002 – Account Analysis

Action Plan:

1. **Monthly Reconciliation:** In collaboration with school staff, back office accounting firm will perform monthly bank reconciliations, review balance sheet accounts, and close accounts within three weeks of month-end.
 - Ensure all expenses are properly coded to grants and other appropriate categories.
2. **Standard Operating Procedures (SOPs):** Back office provider will develop SOPs for financial close processes, including a detailed checklist for account analyses and reconciliations.
3. **System and Process Enhancements:** Leverage the expertise and tools of the new back-office provider to streamline monthly reconciliations and reporting.
4. **Staff Accountability:** Assign specific tasks to finance team members with clear deadlines in collaboration with the back-office provider.
 - Introduce a tracking system for monthly reconciliations and adjustments.
5. **Oversight:** Conduct monthly reviews by senior management to ensure compliance and address discrepancies.

Anticipated Completion date: June 30, 2026

Official Responsible: Kenyah Miller, CEO/Executive Director