

**LEGACY COLLEGE PREPARATORY
CHARTER SCHOOL**

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY GOVERNMENT
AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2025

(With Comparative Totals for 2024)



BUSINESS
ADVISORS
AND CPAS

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	21



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Legacy College Preparatory Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Legacy College Preparatory Charter School, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Legacy College Preparatory Charter School 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 Opinion

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 Legacy College Preparatory Charter 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 Legacy College Preparatory Charter School's ability to continue as a going concern for 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 GAAS 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, 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 Legacy College 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 Legacy College 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.

Report on Summarized Comparative Financial Information

We have previously audited Legacy College Preparatory Charter School's June 30, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025 on our consideration of Legacy College 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 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 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 Legacy College Preparatory Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 30, 2025

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

(With Comparative Totals for 2024)

<u>ASSETS</u>	June 30,	
	2025	2024
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 4,404,532	\$ 2,827,013
Grants and contracts receivables	626,728	2,494,158
Prepaid expenses	496,044	159,924
Contributions and other receivables	1,249,740	810,467
TOTAL CURRENT ASSETS	6,777,044	6,291,562
<u>PROPERTY AND EQUIPMENT, net</u>	350,630	570,649
<u>OTHER ASSETS</u>		
Right-of-use assets - operating	26,553,190	32,636,157
Right-of-use assets - finance	22,936	22,398
Security deposits	1,014,730	1,033,790
Cash in escrow	75,129	75,114
	27,665,985	33,767,459
TOTAL ASSETS	\$ 34,793,659	\$ 40,629,670
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 257,437	\$ 375,070
Accrued payroll and benefits	879,967	831,696
Deferred revenue	102,200	-
Current portion of lease liabilities - operating	3,204,218	3,313,294
Current portion of lease liabilities - finance	16,165	10,252
TOTAL CURRENT LIABILITIES	4,459,987	4,530,312
<u>OTHER LIABILITIES</u>		
Long-term lease liabilities - operating	25,266,198	30,984,295
Long-term lease liabilities - finance	7,525	12,567
	25,273,723	30,996,862
TOTAL LIABILITIES	29,733,710	35,527,174
<u>NET ASSETS, without donor restrictions</u>	5,059,949	5,102,496
TOTAL LIABILITIES AND NET ASSETS	\$ 34,793,659	\$ 40,629,670

The accompanying notes are an integral part of the financial statements.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2025
(With Comparative Totals for 2024)

	Year ended June 30,	
	2025	2024
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 13,169,127	\$ 13,932,841
Students with disabilities	1,593,572	1,505,554
Grants and contracts:		
State and local	63,887	57,309
Federal - Title and IDEA	654,794	726,508
Federal - other	68,766	1,176,880
Food Service/Child Nutrition Program	535,487	525,316
NYC DOE Rental Assistance	<u>3,950,832</u>	<u>4,175,722</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	20,036,465	22,100,130
Expenses:		
Program services:		
Regular education	15,171,524	15,669,263
Special education	<u>4,314,274</u>	<u>3,953,860</u>
Total program services	19,485,798	19,623,123
Management and general	<u>983,276</u>	<u>2,575,860</u>
TOTAL OPERATING EXPENSES	<u>20,469,074</u>	<u>22,198,983</u>
DEFICIT FROM SCHOOL OPERATIONS	(432,609)	(98,853)
Support and other revenue:		
Contributions		
Individuals	-	500
Corporations	-	15,070
Foundations	174,800	187,652
Miscellaneous income	<u>215,262</u>	<u>138,526</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>390,062</u>	<u>341,748</u>
CHANGE IN NET ASSETS	(42,547)	242,895
Net assets at beginning of year	<u>5,102,496</u>	<u>4,859,601</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,059,949</u>	<u>\$ 5,102,496</u>

The accompanying notes are an integral part of the financial statements.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025
 (With Comparative Totals for 2024)

	Year ended June 30,						2024
	2025					Total	
	No. of Positions	Regular Education	Special Education	Sub-total	Supporting Services Management and General		
Personnel services costs:							
Administrative staff personnel	27	\$ 1,640,454	\$ 487,741	\$ 2,128,195	\$ 380,213	\$ 2,508,408	\$3,602,781
Instructional personnel	75	5,901,497	1,646,862	7,548,359	-	7,548,359	7,293,615
Total salaries and staff	102	7,541,951	2,134,603	9,676,554	380,213	10,056,767	10,896,396
Fringe benefits and payroll taxes		1,525,379	431,729	1,957,108	76,899	2,034,007	2,121,122
Retirement		111,822	31,649	143,471	5,637	149,108	171,380
Legal services		-	-	-	15,901	15,901	6,103
Accounting/Audit services		-	-	-	161,879	161,879	183,698
Other Purchased/Professional/							
Consulting Services		348,367	122,572	470,939	76,688	547,627	653,466
Building rent		3,307,930	936,245	4,244,175	166,763	4,410,938	4,749,297
Repairs and maintenance		-	-	-	23,518	23,518	-
Insurance		93,038	26,333	119,371	4,690	124,061	114,738
Supplies/Materials		449,816	127,297	577,113	2,863	579,976	667,993
Equipment/Furnishings		10,236	2,897	13,133	516	13,649	14,052
Staff development		186,761	49,207	235,968	22,521	258,489	255,681
Marketing/Recruitment/Retention		119,138	33,717	152,855	2,872	155,727	111,810
Technology		152,507	43,164	195,671	7,688	203,359	88,003
Food service		512,934	145,157	658,091	-	658,091	750,088
Student services		450,563	127,506	578,069	-	578,069	728,828
Office expense		127,034	35,955	162,989	7,021	170,010	191,217
Depreciation		234,048	66,243	300,291	11,798	312,089	487,613
Other		-	-	-	15,809	15,809	7,498
		<u>\$ 15,171,524</u>	<u>\$ 4,314,274</u>	<u>\$ 19,485,798</u>	<u>\$ 983,276</u>	<u>\$ 20,469,074</u>	<u>\$ 22,198,983</u>

The accompanying notes are an integral part of the financial statements.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025
(With Comparative Totals for 2024)

	Year ended June 30,	
	2025	2024
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (42,547)	\$ 242,895
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Depreciation	312,089	487,613
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivables	1,867,430	(929,833)
Prepaid expenses	(336,120)	(114,582)
Contributions and other receivables	(439,273)	(378,347)
Security deposits	19,060	3,700
Accounts payable and accrued expenses	(117,633)	(200,566)
Accrued payroll and benefits	48,271	192,733
Deferred revenue	102,200	(131,357)
Lease liability, net of right-of-use asset	256,127	780,153
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	1,669,604	(47,591)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(92,070)	(92,303)
NET CASH USED FOR INVESTING ACTIVITIES	(92,070)	(92,303)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,577,534	(139,894)
Cash, cash equivalents and restricted cash at beginning of year	2,902,127	3,042,021
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 4,479,661	\$ 2,902,127
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 4,404,532	\$ 2,827,013
Cash in escrow	75,129	75,114
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 4,479,661	\$ 2,902,127
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable	\$ -	\$ 54,269
Right-of-use assets obtained in exchange for new finance leases	\$ 15,829	\$ 30,093

The accompanying notes are an integral part of the financial statements.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Legacy College Preparatory Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School provides a full range of educational services appropriate for grades six through twelve. On October 11, 2016, the Board of Trustees of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years through July 2022 beginning when instruction began. The School requested a five-year renewal in August 2021 which was granted and is now renewed through July 31, 2027.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit Charter Schools. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

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

Revenue and support recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public-school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2025	2024	2023
Accounts receivable	\$ 35,053	\$ 44,880	\$ -
Accounts payable	4,490	-	96,915

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets related from restrictions.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was \$102,200 reported as deferred revenue at June 30, 2025. There was no deferred revenue at June 30, 2024.

Cash and cash equivalents

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. The Charter School considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of money market accounts. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$75,129 and \$75,114 at June 30, 2025 and 2024, respectively. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve.

Grants and contracts receivables

Grants and contracts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for credit losses. There was no allowance for credit losses at June 30, 2025 or 2024.

At each fiscal year end, the Charter School evaluates the need for an expected allowance for credit losses for all outstanding balances that fall under ASU 2014-09. As necessary, the allowance for credit losses is updated at fiscal year-end to reflect any changes in credit risk since the receivable was initially recorded. The allowance for credit losses is calculated on a pooled basis where similar risk characteristics exist. The Charter School uses historical loss data as a starting point to estimate expected credit losses, given consistent revenue sources since its inception. There were no write-offs for the years ended June 30, 2025 and 2024.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributions and other receivables

Contributions and other receivables are composed of amounts due from Friends of Legacy for a donation, \$400,000 and expense reimbursements, \$849,740 at June 30, 2025. Contributions and other receivables are composed of amounts due from Friends of Legacy for a donation, \$400,000 and expense reimbursements, \$410,467 at June 30, 2024.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to five years. Leasehold improvements are being amortized over the term of the lease.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Contributed Services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. The Charter School was unable to determine a value for these services which would not be significant to the financial statements.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The Charter School's current and prior three years tax returns remain subject to review by taxing authorities. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing, recruitment and retention costs approximated \$156,000 and \$112,000 for the years ended June 30, 2025 and 2024, respectively.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Comparatives for year ended June 30, 2024

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Leases

The Charter School leases building space and equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and lease liabilities on the accompanying statement of financial position. Finance leases are included in finance lease right-of-use assets, current liabilities and other liabilities on the accompanying statement of financial position.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term and for finance leases, as amortization expense and interest expense.

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 30, 2025, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2025 and 2024:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 4,404,532	\$ 2,827,013
Grants and contracts receivables	626,728	2,494,158
Contributions and other receivables	<u>1,249,740</u>	<u>810,467</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 6,281,000</u>	<u>\$ 6,131,638</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2025 and 2024 consisted of the following:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Leasehold improvements	\$ 31,236	\$ 87,301
Furniture and fixtures	718,296	835,431
Computer equipment	831,266	1,062,333
Machinery and equipment	<u>311,480</u>	<u>311,480</u>
	1,892,278	2,296,545
Less accumulated depreciation	<u>1,541,648</u>	<u>1,725,896</u>
	<u>\$ 350,630</u>	<u>\$ 570,649</u>

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE D: LEASES

Related Party Facility Leases

The Charter School leased its facilities from a third party through June 30, 2020. During June 2020, effective July 1, 2020, the Charter School entered into an assignment agreement with the third party whereby the lease agreement was assigned to Friends of Legacy, a separate but related entity. The Charter School then entered into a sublease agreement with Friends of Legacy to rent the facility for two years at \$1,338,083 per year. In July 2022, this lease was amended to extend the lease with monthly escalating lease payments of approximately \$137,000 through June 2032. In September 2024, this lease was amended to reduce the space rented and reduce the monthly lease payments to \$120,000 beginning July 2024 with subsequent annual increases in rent through June 2032. The Charter School has also provided a guarantee to the Overlandlord related to the payment of lease payments from Friends of Legacy to the Overlandlord. The remaining guaranteed undiscounted cash payments at June 30, 2025 are approximately \$7,900,000

Effective June 28, 2022, the original lease between the Charter School and a third party for an additional facility, 808-810 Cauldwell Avenue, was assigned to Friends of Legacy, Inc. The Charter School entered into a thirty-year sublease with Friends of Legacy, Inc. for these facilities commencing in September 2022 and expiring in September 2052. Effective July 1, 2023, this lease was amended with new monthly escalating lease payments through June 2032. This amendment reduced both the right of use asset and lease liabilities by approximately \$35,500,000. The Charter School's base rent will be approximately \$233,000 per month during the year ending June 30, 2026. The lease has escalating payments throughout the term. The Charter School remains responsible for all payments required to be made to Overlandlord should payments fail to be made by Friends of Legacy, Inc. The lease agreement between the Overlandlord and Friends of Legacy, Inc. was not amended and expires September 2052. The remaining guaranteed undiscounted cash payments at June 30, 2025 are approximately \$88,000,000.

In conjunction with these facility leases, the Charter School paid security deposits of \$1,014,730 and \$1,033,790 which is included in security deposits on the accompanying statements of financial position at June 30, 2025 and 2024, respectively.

Equipment leases

The Charter School entered into a non-cancelable lease agreement for office equipment expiring August 2025 with total monthly lease payments of approximately \$3,100. The Charter School has finance leases for office equipment expiring at various dates through June 2027 with total monthly lease payments of approximately \$1,400.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE D: LEASES, Cont'd

A summary of lease right-of-use assets and liabilities are as follows:

	<u>Statement of Financial Position Classification</u>	<u>June 30,</u>	
		<u>2025</u>	<u>2024</u>
<u>Assets</u>			
Operating Leases	Other assets	\$ 26,553,190	\$ 32,636,157
Finance leases	Other assets	<u>22,936</u>	<u>22,398</u>
		<u>\$ 26,576,126</u>	<u>\$ 32,658,555</u>
 <u>Liabilities</u>			
Current:			
Operating Leases	Current liabilities	\$ 3,204,218	\$ 3,313,294
Finance leases	Current liabilities	16,165	10,252
Non-current:			
Operating Leases	Other liabilities	25,266,198	30,984,295
Finance leases	Other liabilities	<u>7,525</u>	<u>12,567</u>
		<u>\$ 28,494,106</u>	<u>\$ 34,320,408</u>

The components of lease expense were as follows:

		<u>June 30,</u>	
		<u>2025</u>	<u>2024</u>
Finance lease cost:			
Amortization of right-of-use assets		\$ 15,775	\$ 8,615
Interest on lease liabilities		<u>1,405</u>	<u>1,007</u>
	Total finance lease costs	17,180	9,622
Operating lease cost		<u>4,447,970</u>	<u>4,792,563</u>
	Total lease cost	<u>\$ 4,465,150</u>	<u>\$ 4,802,185</u>

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE D: LEASES, Cont'd

As of June 30, 2025, minimum payments due for lease liabilities for future years are as follows:

	Operating leases	Finance leases	Total
2026	\$ 4,285,970	\$ 16,848	\$ 4,302,818
2027	4,408,192	7,648	4,415,840
2028	4,540,438	-	4,540,438
2029	4,676,651	-	4,676,651
2030	4,816,951	-	4,816,951
Thereafter	10,071,762	-	10,071,762
Total lease payments	32,799,964	24,496	32,824,460
Less: Interest	(4,329,548)	(806)	(4,330,354)
Present value of lease liabilities	\$ 28,470,416	\$ 23,690	\$28,494,106

Supplemental information:

	June 30,	
	2025	2024
Cash paid for amounts included:		
Operating cash flows for operating leases	\$ 4,192,176	\$ 4,051,752
Operating cash flows for finance leases	\$ 1,401	\$ 920
Financing cash flows for finance leases	\$ 14,963	\$ 7,360
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Finance leases	\$ 15,829	\$ 30,093
Weighted-average remaining lease term:		
Operating leases	7.00 years	7.99 years
Finance leases	1.56 years	2.17 years
Weighted-average discount rate:		
Operating leases	4.06%	3.65%
Finance leases	4.57%	4.57%

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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.

NOTE F: CONCENTRATIONS

At June 30, 2025 and 2024, approximately 79% and 100% of grants and contracts receivables are due from New York State and federal agencies relating to certain grants, respectively.

During the years ended June 30, 2025 and 2024 total revenue, gains and other support came from the following sources:

	June 30,	
	2025	2024
New York City per-pupil	73%	70%
New York City DOE rental assistance	20%	19%
Federal	*	11%

* Below 10% of total revenue, gains, and other support

The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. All employees who work more than 20 hours per week are immediately eligible to participate in the Plan. Employees can make pretax contributions up to a maximum of 100% of their annual compensation to the Plan, subject to IRS restrictions. The Charter School matches the employee contribution between 3% and 10% based upon the employee's years of employment. The Charter School contributed approximately \$149,100 and \$171,400 to the Plan for the years ended June 30, 2025 and 2024, respectively.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE H: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	<u>2025</u>	<u>2024</u>
Undesignated	\$ 4,709,319	\$ 4,531,847
Invested in property and equipment	<u>350,630</u>	<u>570,649</u>
	<u>\$ 5,059,949</u>	<u>\$ 5,102,496</u>

NOTE I: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE J: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$17,318 and \$1,101,164 of revenue relative to ESSER grants during the years ended June 30, 2025 and 2024, respectively. The ESSER grant period ended September 30, 2024.

LEGACY COLLEGE PREPARATORY CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



BUSINESS
ADVISORS
AND CPAS

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
Legacy College Preparatory Charter School

We have audited, 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, the financial statements of Legacy College Preparatory Charter School, which comprise the statement of financial position as of June 30, 2025 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legacy College Preparatory Charter School’s internal control over financial reporting (internal control) as a basis for designing 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 Legacy College Preparatory Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of Legacy College 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legacy College 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 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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 30, 2025