

Manhattan Charter Schools

Financial Statements

June 30, 2025 and 2024

Independent Auditors' Report

Board of Trustees
Manhattan Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Manhattan Charter Schools (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manhattan Charter Schools as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Manhattan Charter Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Manhattan Charter Schools' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Manhattan Charter Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Manhattan Charter Schools' ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2025 on pages 17 through 19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2026, on our consideration of Manhattan Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Manhattan Charter Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manhattan Charter Schools' internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
February 23, 2026

Manhattan Charter Schools

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current Assets		
Cash	\$ 5,635,297	\$ 6,357,754
Investments	740,715	968,727
Grants and contracts receivable	127,672	438,123
Prepaid expenses and other current assets	4,888	58,396
Total Current Assets	6,508,572	7,823,000
Property and equipment, net	230,671	229,414
Right of use assets - finance lease, net	20,040	36,588
Restricted cash	155,736	154,018
	\$ 6,915,019	\$ 8,243,020
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 532,609	\$ 352,517
Accrued payroll and payroll taxes	484,670	389,225
Finance lease liabilities	17,162	16,370
Refundable advances	109,942	747
Total Current Liabilities	1,144,383	758,859
Finance lease liabilities, less current portion	3,728	20,889
Total Liabilities	1,148,111	779,748
Net Assets, Without Donor Restrictions		
Undesignated	5,036,908	6,493,272
Board designated	730,000	970,000
Total Net Assets	5,766,908	7,463,272
	\$ 6,915,019	\$ 8,243,020

See notes to financial statements

Manhattan Charter Schools

Statements of Activities

	Year Ended June 30,	
	2025	2024
OPERATING REVENUE		
State and local per pupil operating revenue		
General education	\$ 4,659,172	\$ 4,438,555
Special education	792,942	587,315
Federal grants	219,523	696,512
Federal E-Rate and IDEA	143,300	158,635
State grants	-	9,360
Total Operating Revenue	5,814,937	5,890,377
EXPENSES		
Program Services		
Regular education	4,332,234	4,380,107
Special education	2,035,116	1,623,734
Total Program Services	6,367,350	6,003,841
Supporting Services		
Management and general	1,163,288	1,247,915
Fundraising	61,093	53,703
Total Expenses	7,591,731	7,305,459
Deficit from Operations	(1,776,794)	(1,415,082)
SUPPORT AND OTHER REVENUE		
Investment income, net	51,505	154,929
Unrealized gain on investments	11,988	17,130
Employee Retention Credit	-	329,372
Other revenue	16,937	1,449
Total Support and Other Revenue	80,430	502,880
Change in Net Assets	(1,696,364)	(912,202)
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	7,463,272	8,375,474
End of year	\$ 5,766,908	\$ 7,463,272

See notes to financial statements

Manhattan Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	18	\$ 587,338	\$ 334,133	\$ 921,471	\$ 757,931	\$ 38,217	\$ 1,717,619
Instructional personnel	35	2,049,175	883,414	2,932,589	-	-	2,932,589
Non-instructional personnel	<u>1</u>	<u>3,470</u>	<u>1,351</u>	<u>4,821</u>	-	-	<u>4,821</u>
Total Personnel Services Costs	<u>54</u>	2,639,983	1,218,898	3,858,881	757,931	38,217	4,655,029
Employee benefits and payroll taxes		415,916	186,754	602,670	119,449	6,055	728,174
Retirement		37,102	16,049	53,151	10,168	520	63,839
Legal services		-	-	-	20,600	-	20,600
Accounting and auditing services		-	-	-	108,045	-	108,045
Other professional and consulting services		563,029	282,793	845,822	18,107	917	864,846
Repairs and maintenance		14,329	6,767	21,096	4,381	219	25,696
Insurance		65,254	29,838	95,092	19,169	967	115,228
Supplies and materials		114,736	63,484	178,220	-	-	178,220
Equipment and furnishings		482	182	664	111	6	781
Staff development		67,581	30,658	98,239	25,203	430	123,872
Marketing and recruiting		80,440	40,464	120,904	-	-	120,904
Technology		150,802	72,068	222,870	46,784	2,339	271,993
Student service		68,667	35,230	103,897	-	-	103,897
Office expense		45,002	21,115	66,117	13,649	685	80,451
Depreciation and amortization		65,474	29,364	94,838	18,777	952	114,567
Miscellaneous		<u>3,437</u>	<u>1,452</u>	<u>4,889</u>	<u>914</u>	<u>9,786</u>	<u>15,589</u>
Total Expenses		<u>\$ 4,332,234</u>	<u>\$ 2,035,116</u>	<u>\$ 6,367,350</u>	<u>\$ 1,163,288</u>	<u>\$ 61,093</u>	<u>\$ 7,591,731</u>

Manhattan Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	8	\$ 480,923	\$ 232,178	\$ 713,101	\$ 552,404	\$ 39,556	\$ 1,305,061
Instructional personnel	52	2,208,967	704,032	2,912,999	-	-	2,912,999
Non-instructional personnel	<u>2</u>	<u>62,316</u>	<u>21,438</u>	<u>83,754</u>	<u>-</u>	<u>-</u>	<u>83,754</u>
Total Personnel Services Costs	<u>62</u>	<u>2,752,206</u>	<u>957,648</u>	<u>3,709,854</u>	<u>552,404</u>	<u>39,556</u>	<u>4,301,814</u>
Employee benefits and payroll taxes		514,841	174,636	689,477	112,993	8,071	810,541
Retirement		53,900	17,715	71,615	11,758	832	84,205
Legal services		-	-	-	30,011	-	30,011
Accounting and auditing services		-	-	-	446,533	-	446,533
Other professional and consulting services		393,974	197,411	591,385	4,216	299	595,900
Repairs and maintenance		2,044	656	2,700	443	31	3,174
Insurance		59,049	21,186	80,235	13,104	952	94,291
Supplies and materials		134,817	57,933	192,750	934	-	193,684
Equipment and furnishings		297	95	392	65	5	462
Staff development		79,490	38,078	117,568	17,722	91	135,381
Marketing and recruiting		85,694	43,895	129,589	-	-	129,589
Technology		136,809	49,439	186,248	29,733	2,155	218,136
Student service		59,676	27,406	87,082	-	-	87,082
Office expense		21,292	7,865	29,157	4,750	349	34,256
Depreciation and amortization		80,138	27,884	108,022	17,677	1,272	126,971
Miscellaneous		<u>5,880</u>	<u>1,887</u>	<u>7,767</u>	<u>5,572</u>	<u>90</u>	<u>13,429</u>
Total Expenses		<u>\$ 4,380,107</u>	<u>\$ 1,623,734</u>	<u>\$ 6,003,841</u>	<u>\$ 1,247,915</u>	<u>\$ 53,703</u>	<u>\$ 7,305,459</u>

Manhattan Charter Schools

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,696,364)	\$ (912,202)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	114,567	113,916
Unrealized (gain) on investments	(11,988)	(17,130)
Amortization of right of use asset - finance lease	16,548	13,055
Amortization of right of use asset - operating lease	-	17,773
Changes in operating assets and liabilities		
Grants and contracts receivable	310,451	515,687
Prepaid expenses and other current assets	53,508	66,409
Accounts payable and accrued expenses	180,092	148,386
Accrued payroll and payroll taxes	95,445	(152,788)
Operating lease liabilities	-	(17,773)
Refundable advances	109,195	(7,144)
Net Cash from Operating Activities	(828,546)	(231,811)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(115,824)	(66,466)
Purchases of investments	-	(210,000)
Proceeds from sale of investments	240,000	1,239,888
Net Cash from Investing Activities	124,176	963,422
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments on finance lease liabilities	(16,369)	(12,384)
Net Change in Cash and Restricted Cash	(720,739)	719,227
CASH AND RESTRICTED CASH		
Beginning of year	6,511,772	5,792,545
End of year	\$ 5,791,033	\$ 6,511,772

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Tax Status

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

Manhattan Charter School ("MCS") was incorporated on July 21, 2004, and was granted a provisional charter on July 21, 2004 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (the "Board of Regents"). Effective July 1, 2016, MCS's charter agreement was incorporated into Manhattan Charter School II's ("MCS II") amended and restated charter agreement (see below).

MCS II was incorporated on September 13, 2011 and was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents. The Board of Regents approved and issued renewals to its amended and restated charter for an additional five-year term expiring July 31, 2027.

The School's mission is to prepare its students to achieve high academic levels in the four core subject areas, communicate effectively in verbal, mathematical and musical languages, and to apply critical thinking processes and ethical standards to learning, living and problem solving. The School provided education to approximately 245 students in kindergarten through sixth grade during the 2024-2025 academic year.

MCS and MCS II merged into a single not-for-profit legal entity under MCS II, which serves as the sole surviving educational corporation. The plan of merger was approved by the State University of New York Charter School Committee on February 25, 2016, and became effective for financial purposes on July 1, 2016. MCS II changed its name to Manhattan Charter Schools and each school is authorized by the Charter Schools Institute of the State University of New York under MCS II's provisional charter, as amended to effect the merger. MCS was dissolved in conjunction with this merger.

The School shares space with New York City public schools. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

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

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees. The Board of Trustees has designated amounts for long-term educational planning, organizational growth or facilities planning. Such designated amount was \$730,000 and \$970,000 at June 30, 2025 and 2024.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Fair Value Measurements

The School follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Certificates of deposit are valued at the amounts deposited plus accrued interest, and are measured at estimated market value.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

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

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Restricted Cash

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

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

	2025	2024
Cash	\$ 5,635,297	\$ 6,357,754
Restricted cash	155,736	154,018
	<u>\$ 5,791,033</u>	<u>\$ 6,511,772</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

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

Computers and equipment	3 - 5 years
Furniture and fixtures	7 years
Software	3 years

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

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

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

Leases

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

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that the School will exercise that option. Such amounts are included in ROU assets and lease liabilities. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The School's lease agreements do not contain any variable lease components.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

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

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

Marketing and Recruiting

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Marketing and recruiting expense for the years ended June 30, 2025 and 2024 was \$120,904 and \$129,589.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

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

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental and other sources that include contributions revenue, investment income, Employee Retention Credit and other activities considered to be a more non-recurring nature.

Functional Expense Allocation

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

Accounting for Uncertainty in Income Taxes

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

Reclassification

Certain information in the 2024 financial statements has been reclassified to confirm to the 2025 presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 23, 2026.

3. Investments

The School's investments at June 30, 2025 and 2024 consisted of certificates of deposit in the amounts of \$740,715 and \$968,727, categorized as level 2 in the fair value hierarchy.

4. Grants and Contracts Receivable

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

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

5. Property and Equipment

Property and equipment, net consists of the following at June 30:

	2025	2024
Computers and equipment	\$ 991,062	\$ 944,352
Furniture and fixtures	277,863	208,749
Leasehold improvements	180,662	180,662
Software	5,526	5,526
	1,455,113	1,339,289
Accumulated depreciation and amortization	(1,224,442)	(1,109,875)
	\$ 230,671	\$ 229,414

6. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 4% of the participant's annual compensation. Employee match for the years ended June 30, 2025 and 2024 amounted to \$63,839 and \$84,205.

7. Liquidity and Availability of Financial Assets

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

	2025	2024
Financial Assets at year end:		
Cash	\$ 5,635,297	\$ 6,357,754
Investments	740,715	968,727
Grants and contracts receivable	127,672	438,123
Total Financial Assets	6,503,684	7,764,604
Less amounts unavailable for general expenditure:		
Board designated net assets	730,000	970,000
	\$ 5,773,684	\$ 6,794,604

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

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

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

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash on deposit and investments with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2025 and 2024, approximately \$4,800,000 and \$5,000,000 of cash and investments were maintained with an institution in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For each of the years ended June 30, 2025 and 2024, the School received approximately 93% and 79% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

10. Commitments

In 2024, the School entered into two separate finance leases for copier and printer equipment with various termination dates through September 2026.

ROU assets consist of the following at June 30:

	2025	2024
ROU asset - finance lease	\$ 49,642	\$ 49,642
Accumulated amortization	(29,602)	(13,054)
	<u>\$ 20,040</u>	<u>\$ 36,588</u>
Weighted average remaining lease term	1.21 years	2.21 years
Weighted average discount rate	4.74%	4.72%

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

10. Commitments *(continued)*

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

2026	\$	17,712
2027		3,740
Total minimum lease payments		<u>21,452</u>
Present value discount		<u>(562)</u>
Present value of finance lease liability		20,890
Current portion		<u>(17,162)</u>
Finance lease liabilities, less current portion	\$	<u><u>3,728</u></u>

The lease expense for the years ended June 30, 2025 and 2024 amounted to \$17,890 and \$18,904.

Supplemental cash flow disclosures are as follows at June 30:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of finance lease liability - principal	\$ 16,306	\$ 11,841
Cash paid for amounts included in the measurement of finance lease liability - interest	1,406	1,443
Right-of-use assets obtained in exchange for finance lease	-	49,642
Cash paid for amounts included in the measurement of operating lease liability	-	17,773

11. Employee Retention Credit

During 2022, the School applied for the Employee Retention Credit (“ERC”), which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specific threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. During 2024, the School received the ERC in the amount of \$329,372. The ERC revenue is included in the accompanying 2024 statement of activities. The ERC is open to audit for three years from the date of the filing of the amended payroll tax returns.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2025 and 2024

12. Contingency

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

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

Manhattan Charter Schools

Supplementary Information

June 30, 2025

Manhattan Charter Schools

Schedule of Activities by School
Years Ended June 30, 2025 and 2024

	Manhattan Charter School		Manhattan Charter School II		Manhattan Charter Schools	
	2025	2024	2025	2024	2025	2024
OPERATING REVENUE						
State and local per pupil operating revenue						
General education	\$ 3,306,058	\$ 3,277,835	\$ 1,353,114	\$ 1,160,720	\$ 4,659,172	\$ 4,438,555
Special education	470,279	374,050	322,663	213,265	792,942	587,315
Federal grants	120,094	330,362	99,429	366,150	219,523	696,512
Federal E-Rate and IDEA	82,587	86,233	60,713	72,402	143,300	158,635
State grants	-	4,680	-	4,680	-	9,360
Total Operating Revenue	<u>3,979,018</u>	<u>4,073,160</u>	<u>1,835,919</u>	<u>1,817,217</u>	<u>5,814,937</u>	<u>5,890,377</u>
EXPENSES						
Program Services						
Regular education	2,822,989	3,083,810	1,509,245	1,296,297	4,332,234	4,380,107
Special education	<u>1,074,710</u>	<u>1,006,319</u>	<u>960,406</u>	<u>617,415</u>	<u>2,035,116</u>	<u>1,623,734</u>
Total Program Services	3,897,699	4,090,129	2,469,651	1,913,712	6,367,350	6,003,841
Supporting Services						
Management and general	606,155	791,883	557,133	456,032	1,163,288	1,247,915
Fundraising	<u>33,676</u>	<u>38,080</u>	<u>27,417</u>	<u>15,623</u>	<u>61,093</u>	<u>53,703</u>
Total Expenses	<u>4,537,530</u>	<u>4,920,092</u>	<u>3,054,201</u>	<u>2,385,367</u>	<u>7,591,731</u>	<u>7,305,459</u>
Surplus (Deficit) from Operations	<u>(558,512)</u>	<u>(846,932)</u>	<u>(1,218,282)</u>	<u>(568,150)</u>	<u>(1,776,794)</u>	<u>(1,415,082)</u>
SUPPORT AND OTHER REVENUE						
Investment income, net	50,145	132,537	1,360	22,392	51,505	154,929
Unrealized gain on investments	11,988	17,130	-	-	11,988	17,130
Employee Retention Credit	-	329,372	-	-	-	329,372
Other revenue	<u>16,103</u>	<u>-</u>	<u>834</u>	<u>1,449</u>	<u>16,937</u>	<u>1,449</u>
Total Support and Other Revenue	<u>78,236</u>	<u>479,039</u>	<u>2,194</u>	<u>23,841</u>	<u>80,430</u>	<u>502,880</u>
Change in Net Assets	(480,276)	(367,893)	(1,216,088)	(544,309)	(1,696,364)	(912,202)
NET ASSETS						
Beginning of year	<u>6,191,540</u>	<u>6,559,433</u>	<u>1,271,732</u>	<u>1,816,041</u>	<u>7,463,272</u>	<u>8,375,474</u>
End of year	<u>\$ 5,711,264</u>	<u>\$ 6,191,540</u>	<u>\$ 55,644</u>	<u>\$ 1,271,732</u>	<u>\$ 5,766,908</u>	<u>\$ 7,463,272</u>

See independent auditors' report

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School
 Year Ended June 30, 2025
 (with summarized totals for the year ended June 30, 2024)

	No. of Positions	2025					2024	
		Program Services			Supporting Services		Total	Total
		Regular Education	Special Education	Total	Management and General	Fundraising		
Personnel Services Costs								
Administrative staff personnel	13	\$ 330,807	\$ 128,776	\$ 459,583	\$ 376,069	\$ 19,918	\$ 855,570	\$ 789,616
Instructional personnel	21	1,342,474	504,813	1,847,287	-	-	1,847,287	2,254,749
Non-instructional personnel	1	3,470	1,351	4,821	-	-	4,821	83,754
Total Personnel Services Costs	<u>35</u>	<u>1,676,751</u>	<u>634,940</u>	<u>2,311,691</u>	<u>376,069</u>	<u>19,918</u>	<u>2,707,678</u>	<u>3,128,119</u>
Employee benefits and payroll taxes		283,649	107,322	390,971	65,473	3,468	459,912	616,253
Retirement		28,051	10,614	38,665	6,475	343	45,483	75,554
Legal services		-	-	-	10,300	-	10,300	13,391
Accounting and auditing services		-	-	-	72,814	-	72,814	232,053
Other professional and consulting services		397,326	154,207	551,533	9,818	520	561,871	262,768
Repairs and maintenance		8,271	3,129	11,400	1,909	101	13,410	3,174
Insurance		42,081	15,922	58,003	9,713	514	68,230	48,220
Supplies and materials		68,975	26,851	95,826	-	-	95,826	148,678
Equipment and furnishings		482	182	664	111	6	781	462
Staff development		53,810	20,652	74,462	17,140	330	91,932	64,025
Marketing and recruiting		58,188	22,651	80,839	-	-	80,839	53,148
Technology		83,243	31,496	114,739	19,214	1,018	134,971	117,737
Student service		47,998	18,684	66,682	-	-	66,682	50,614
Office expense		26,604	10,066	36,670	6,141	325	43,136	19,608
Depreciation and amortization		44,807	16,953	61,760	10,343	548	72,651	75,696
Miscellaneous		2,753	1,041	3,794	635	6,585	11,014	10,592
Total Expenses		<u>\$ 2,822,989</u>	<u>\$ 1,074,710</u>	<u>\$ 3,897,699</u>	<u>\$ 606,155</u>	<u>\$ 33,676</u>	<u>\$ 4,537,530</u>	<u>\$ 4,920,092</u>

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School II
 Year Ended June 30, 2025
 (with summarized totals for the year ended June 30, 2024)

	No. of Positions	2025					2024	
		Program Services			Supporting Services		Total	Total
		Regular Education	Special Education	Total	Management and General	Fundraising		
Personnel Services Costs								
Administrative staff personnel	5	\$ 256,531	\$ 205,357	\$ 461,888	\$ 381,862	\$ 18,299	\$ 862,049	\$ 515,445
Instructional personnel	14	706,701	378,601	1,085,302	-	-	1,085,302	658,250
Total Personnel Services Costs	19	963,232	583,958	1,547,190	381,862	18,299	1,947,351	1,173,695
Employee benefits and payroll taxes		132,267	79,432	211,699	53,976	2,587	268,262	194,288
Retirement		9,051	5,435	14,486	3,693	177	18,356	8,651
Legal services		-	-	-	10,300	-	10,300	16,620
Accounting and auditing services		-	-	-	35,231	-	35,231	214,480
Other professional and consulting services		165,703	128,586	294,289	8,289	397	302,975	333,132
Repairs and maintenance		6,058	3,638	9,696	2,472	118	12,286	-
Insurance		23,173	13,916	37,089	9,456	453	46,998	46,071
Supplies and materials		45,761	36,633	82,394	-	-	82,394	45,006
Staff development		13,771	10,006	23,777	8,063	100	31,940	71,356
Marketing and recruiting		22,252	17,813	40,065	-	-	40,065	76,441
Technology		67,559	40,572	108,131	27,570	1,321	137,022	100,399
Student service		20,669	16,546	37,215	-	-	37,215	36,468
Office expense		18,398	11,049	29,447	7,508	360	37,315	27,706
Depreciation and amortization		20,667	12,411	33,078	8,434	404	41,916	38,220
Miscellaneous		684	411	1,095	279	3,201	4,575	2,834
Total Expenses		\$ 1,509,245	\$ 960,406	\$ 2,469,651	\$ 557,133	\$ 27,417	\$ 3,054,201	\$ 2,385,367

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

**Board of Trustees
Manhattan Charter Schools**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Manhattan Charter Schools (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
February 23, 2026

Manhattan Charter Schools

Schedule of Findings and Responses
Year Ended June 30, 2025

Financial Statement Findings

2025-001- General Ledger Maintenance and Account Analysis

Criteria

An effective financial closing process provides the School with accurate and timely financial statements. All significant accounts should be reconciled timely and regularly to ensure that financial records are accurate and to facilitate the preparation of financial statements at year end.

Condition

Certain account analysis and reconciliations were not fully reconciled before the start of the audit. Improvements are needed in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting.

Cause

The finance department has experienced turnover and is understaffed. Continual training is required to enable a good understanding of effective internal control.

Effect

The School's system of internal control is not effective for managing its resources and resulted in difficulties with meeting external deadlines for submission of the audited financial statements.

Recommendation

We recommend that the School assess the adequacy of resources in the finance department in relation to its periodic and year end reporting responsibilities. The School may consider an increased level of financial analysis of significant accounts on a regular basis, as well as providing additional support to the finance department in the area of financial reporting.

Views of Responsible Officials

See management corrective action plan in Appendix A.



Finance Corrective Action Plan Fiscal Year Ended June 30, 2025

Finding 2025

General Ledger Maintenance and Account Analysis

Condition:

Certain account reconciliations and analyses were not fully completed prior to the commencement of the audit, resulting in delays and inefficiencies during the year-end financial reporting process. This was due in part to the issue with [bill.com](https://www.bill.com) and ongoing technological issues.

Corrective Action Plan:

Planned Corrective Action:

The Finance Department will strengthen the financial closing and reconciliation process to ensure that all significant general ledger accounts are reconciled in a timely manner and reviewed on a regular basis. This will include the implementation of formal monthly and year-end closing procedures, enhanced documentation standards, and increased oversight of account reconciliations.

Finance will work collaboratively with our external financial consultant, the organization's external accounting firm, to support these efforts and enhance financial reporting processes, while maintaining management's responsibility for internal controls.

Specifically, management will:

- Continue to align financial reporting to the network's strategic plan goals
- Refining the formal monthly close process by codifying all steps in a standard operating procedure, identifying all required reconciliations, analyses, and review responsibilities.
- Review all accounting systems on a monthly basis to ensure that all bank accounts, payroll-related accounts, benefit clearing accounts, and other material balance sheet accounts are reconciled monthly and syncing properly.
- Formalize the supervisory review process whereby reconciliations are reviewed and approved by finance leadership based on the programmatic and operations standards.
- Improve coordination with external service providers to ensure the timely receipt and posting of financial information.



- Developing a transition plan to support future staff transitions.

Responsible Party

- Finance and Compliance Manager

Planned Completion Date

- Initial implementation and Closure: February 2026
- Ongoing compliance: Monthly and annually thereafter

Status

In progress, currently all bank accounts are reconciled up to December 2025.

Management believes these corrective actions will improve the accuracy, timeliness, and reliability of financial reporting and strengthen internal controls over financial reporting going forward.

Tamara Cooper, CEO
Manhattan Charter Schools