

**NEXT GENERATION CHARTER SCHOOL AND
AFFILIATE**

BRONX, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OTHER CONSOLIDATING FINANCIAL INFORMATION

**SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2025

(With Comparative Totals for 2024)



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Next Generation Charter School and Affiliate

Report on the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Next Generation Charter School and Affiliate as of June 30, 2025, and the consolidated 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 if applicable, 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 Consolidated Financial Statements section of our report. We are required to be independent of Next Generation Charter School and Affiliate 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Next Generation Charter School and Affiliate's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Next Generation Charter School and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Next Generation Charter School and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Next Generation Charter School and Affiliate's June 30, 2024 consolidated financial statements and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated October 27, 2025. 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 consolidated 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 27, 2025 on our consideration of Next Generation Charter School and Affiliate'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 Next Generation Charter School and Affiliate's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 27, 2025

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

(With Comparative Totals for 2024)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents (including restricted cash of \$2,049,319 and \$1,993,069, respectively)	\$ 7,967,835	\$ 5,655,262
Investments	3,076,351	3,618,446
Grants and contracts receivable	444,847	664,851
Pledge receivable - current portion	280,000	-
Prepaid expenses	90,057	282,002
TOTAL CURRENT ASSETS	<u>11,859,090</u>	<u>10,220,561</u>
<u>PROPERTY AND EQUIPMENT, net</u>	25,567,302	26,085,212
<u>OTHER ASSETS</u>		
Right-of-use assets - operating	2,184,870	33,263
Pledge receivable, net of current portion	365,613	-
Security deposits	149,322	31,523
Cash in escrow	70,330	70,330
	<u>2,770,135</u>	<u>135,116</u>
TOTAL ASSETS	<u>\$ 40,196,527</u>	<u>\$ 36,440,889</u>

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

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

<u>LIABILITIES AND NET ASSETS</u>	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
<u>CURRENT LIABILITIES</u>		
Current portion of bonds payable	\$ 430,000	\$ 410,000
Accounts payable and accrued expenses	568,999	190,646
Accrued payroll and payroll taxes	1,206,280	1,437,515
Current portion of lease liabilities - operating	661,457	23,340
Deferred revenue	215,600	-
TOTAL CURRENT LIABILITIES	<u>3,082,336</u>	<u>2,061,501</u>
<u>OTHER LIABILITIES</u>		
Bonds payable, net of unamortized bond issuance costs of \$1,061,287 and \$1,100,594, respectively	23,650,508	24,100,712
Reserve for payment of debt service	1,610,000	1,610,000
Long-term lease liabilities - operating	1,647,865	9,925
	<u>26,908,373</u>	<u>25,720,637</u>
TOTAL LIABILITIES	29,990,709	27,782,138
<u>NET ASSETS</u>		
Without donor restrictions	9,560,205	8,658,751
With donor restrictions	645,613	-
TOTAL NET ASSETS	<u>10,205,818</u>	<u>8,658,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 40,196,527</u>	<u>\$ 36,440,889</u>

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	Year ended June 30,			
	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenue and support:				
State and local per pupil operating revenue	\$ 16,706,370	\$ -	\$ 16,706,370	\$ 14,169,782
Federal grants	624,689	-	624,689	1,302,916
NYC DoE rental assistance	2,214,284	-	2,214,284	1,712,002
Investment income	259,186	-	259,186	276,674
In-kind revenue	29,009	-	29,009	52,601
Private grants and contributions	640,132	645,613	1,285,745	266,993
TOTAL OPERATING REVENUE AND SUPPORT	20,473,670	645,613	21,119,283	17,780,968
Expenses:				
Program services:				
Educational services	13,937,230	-	13,937,230	14,363,914
Metropolitan Support Corporation	1,765,348	-	1,765,348	1,785,434
Management and general	3,869,638	-	3,869,638	3,422,394
TOTAL EXPENSES	19,572,216	-	19,572,216	19,571,742
CHANGE IN NET ASSETS	901,454	645,613	1,547,067	(1,790,774)
Net assets at beginning of year	8,658,751	-	8,658,751	10,449,525
NET ASSETS AT END OF YEAR	\$ 9,560,205	\$ 645,613	\$ 10,205,818	\$ 8,658,751

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

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

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

	Year ended June 30,					2024
	2025					
	Educational Services	Metropolitan Support Corporation	Sub-total	Management and General	Total	
Personnel services costs:						
Salaries	\$ 8,154,211	\$ -	\$ 8,154,211	\$ 1,929,766	\$ 10,083,977	\$ 11,182,588
Payroll taxes and fringe benefits	1,660,219	-	1,660,219	395,448	2,055,667	2,314,255
Total salaries and related costs	9,814,430	-	9,814,430	2,325,214	12,139,644	13,496,843
Professional fees and consultants	636,830	-	636,830	328,358	965,188	722,052
Supplies and equipment purchases	503,960	-	503,960	190,743	694,703	496,182
Depreciation and amortization	285,481	550,886	836,367	67,635	904,002	989,122
Insurance	-	-	-	299,860	299,860	221,724
Interest	-	1,197,250	1,197,250	-	1,197,250	1,216,750
Occupancy and utilities	1,200,303	-	1,200,303	284,376	1,484,679	679,080
Printing	47,452	-	47,452	11,242	58,694	49,031
Staff development and recruitment	191,464	-	191,464	45,327	236,791	242,131
Telephone	46,979	-	46,979	11,130	58,109	55,099
Travel and parking	166,232	-	166,232	39,384	205,616	206,453
Dues and subscriptions	268,208	-	268,208	63,544	331,752	217,053
Student services	307,006	-	307,006	72,736	379,742	359,218
Marketing	409,499	-	409,499	97,018	506,517	542,506
In-kind supplies	29,009	-	29,009	-	29,009	52,601
Other	30,377	17,212	47,589	33,071	80,660	25,897
	<u>\$ 13,937,230</u>	<u>\$ 1,765,348</u>	<u>\$ 15,702,578</u>	<u>\$ 3,869,638</u>	<u>\$ 19,572,216</u>	<u>\$ 19,571,742</u>

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

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED 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	\$ 1,547,067	\$ (1,790,774)
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Depreciation and amortization	904,002	989,122
Discount recognized on pledge receivable	54,387	-
Bond premium amortization	(59,511)	(59,511)
Amortization of bond issuance costs included in interest expense	39,307	39,307
Realized and unrealized investment gains	(78,867)	(269,779)
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	220,004	482,424
Pledge receivable	(700,000)	-
Prepaid expenses	191,945	(160,149)
Accounts payable and accrued expenses	378,353	(216,712)
Accrued payroll and payroll taxes	(231,235)	604,269
Deferred revenue	215,600	(179,200)
Right of use asset, net of deferred lease liability	124,450	(73)
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	2,605,502	(561,076)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(386,092)	(348,762)
Purchase of investments	(1,780,038)	(301,556)
Proceeds from sale of investments	2,401,000	1,536,835
Security deposits	(117,799)	-
NET CASH PROVIDED FROM INVESTING ACTIVITIES	117,071	886,517
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of bonds payable	(410,000)	(390,000)
NET CASH USED FOR FINANCING ACTIVITIES	(410,000)	(390,000)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	2,312,573	(64,559)
Cash, cash equivalents, and restricted cash at beginning of year	5,725,592	5,790,151
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	\$ 8,038,165	\$ 5,725,592

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

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

	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash, cash equivalents and restricted 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	\$ 7,967,835	\$ 5,655,262
Cash in escrow	<u>70,330</u>	<u>70,330</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 8,038,165</u>	<u>\$ 5,725,592</u>
Cash paid during the year for interest	<u>\$ 1,197,250</u>	<u>\$ 1,216,750</u>

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

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025

(With Comparative Totals for 2024)

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

The Organization

Next Generation Charter School (the “Charter School”) a New York not-for-profit Education Corporation, together with its wholly owned subsidiaries, 180 W. 165th Street LLC, (the “Company”), and Metropolitan Support Corporation (the “Corporation”) (collectively, the “Organization”) offers education services in classes from kindergarten through grade twelve in the Bronx, New York. The Charter School is a public charter school incorporated on June 24, 2009, pursuant to the New York Charter School Act of 1998. On March 28, 2019, the Charter School’s charter was renewed through June 30, 2022. On May 5, 2022, the Charter School’s charter was renewed through June 30, 2027.

The Charter School was the sole member of 180 W. 165th Street LLC, a limited liability company organized and existing under the law of the State of New York which was formed on June 14, 2017. The purpose of the Company was to become the borrower in a bond offering. The Company used the proceeds to acquire the Charter School’s building, make improvements in the form of a roof-top gymnasium, and lease the space back to the Charter School.

Metropolitan Support Corporation is a not for profit organization incorporated in New York on June 15, 2017, for the purposes of acquiring the Charter School’s sole membership interest in 180 W. 165th Street LLC and to engage in programs and activities to assist the Charter School in carrying on its mission.

In January 2019, the Charter School’s Board of Trustees passed a resolution to transfer the sole membership interest in the Company to Metropolitan Support Corporation, a related entity. As a result, for financial statement purposes the activities of the Company and the Corporation are combined on the June 30, 2025 and 2024 consolidating statement of activities.

Effective July 1, 2021, the Charter School amended its charter and changed its name to Nuasin Next Generation Charter School. The Charter School was previously named Metropolitan Lighthouse Charter School.

Effective May 5, 2025, the Charter School amended its charter and changed its name to Next Generation Charter School. The Charter School was previously named Nuasin Next Generation Charter School.

On June 25, 2025, the Charter School was authorized to open a new school with anticipated opening date of September 2026.

Basis of accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of consolidation

The consolidated financial statements reflect the accounts and operations of the Charter School and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED 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

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of accounting for not-for-profit organizations. 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 Organization.

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 Organization had net assets with donor restrictions of \$645,613 at June 30, 2025. The Organization had no net assets with donor restrictions at June 30, 2024.

Revenue recognition

Revenue from Exchange Transactions: The Organization 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. The Organization records substantially all revenues over time as follows:

State and local per pupil revenue

The Organization recognizes revenue as educational programming is provided to students throughout the year. The Organization earns state and local per pupil 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 Organization. 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 Organization 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 Organization to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED 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

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.

At June 30, 2025, there were contract assets of \$16,787 and contract liabilities of \$215,600. At June 30, 2024, contract assets consisted of grants and contracts receivables of \$50,635 and no contract liabilities. At June 30, 2023, contract assets consisted of grant and contract receivables of \$32,342 and contract liabilities consisting of deferred revenue of \$179,200.

Contributions

The Organization 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.

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 consolidated statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Organization'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 Organization 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 and contracts receivable in the accompanying consolidated statement of financial position. As of June 30, 2024, there were no amounts received prior to incurring qualifying expenditures, which would be reported as deferred revenue in the accompanying consolidated statement of financial position. As of June 30, 2025, there was \$215,600 received prior to incurring qualifying expenditures, which is included as deferred revenue in the accompanying consolidated statement of financial position. There were no awarded cost-reimbursement grants unspent at June 30, 2025.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED 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

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. Cash equivalents include all high liquid instruments with maturities of three months or less when acquired. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents. Included in cash and cash equivalents is approximately \$2,662,300 and \$1,867,900 of money market funds at June 30, 2025 and 2024, respectively.

Cash in escrow

At the request of the NYC DOE, the Organization is required to establish a dissolution escrow fund in the amount of \$70,000 to be maintained to fund any audit and legal expenses incurred should the Charter School cease operation and dissolve. As of June 30, 2025 and 2024, the balance of the account was \$70,330.

Investments

Investments are carried at fair value. Net appreciation (depreciation) in the fair value of investments, which includes realized and unrealized gains and losses on those investments, is reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Cost basis is determined on the date of purchase. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment activities, it is at least possible that changes in risk in the near term and could materially affect investment balances.

Grants and contracts receivables

At each fiscal year end, the Organization 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 Organization 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.

Pledge receivables

Pledge receivables represent unconditional promises to give. Those that are expected to be collected within one year are recorded at their realizable value. Those that are to be collected in future years are recorded at the present value of estimated future collections. Discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. The gross value and the net present value of the pledge's receivable was approximately \$700,000 and \$645,600 at June 30, 2025, respectively. There were no pledge receivables at June 30, 2024. The Organization reviews pledge receivables on a periodic basis to determine if any receivables will be potentially uncollectible. After all attempts to collect a receivable have failed, the receivable is written off against the allowance for doubtful pledges. Management believes no allowance is considered necessary at June 30, 2025.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED 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

Property and equipment

Property and equipment such as furniture and equipment is carried at cost less accumulated depreciation and amortization, which is provided on the straight-line method over the estimated useful lives of the respective assets (3 – 7 years). Building and building improvements are depreciated over 39 years. Leasehold improvements are capitalized at cost and amortized over the lesser of the term of the lease or the estimated useful life of the improvement.

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.

Deferred revenue

The Organization records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Bond issuance costs

Bond issuance costs, which consist of deferred financing charges, are stated at cost and are amortized over the term of the bonds which vary from 3 to 35 years. The Organization shows bond issuance costs as a deduction from the carrying amount of bonds payable, net on the accompanying consolidated statement of financial position.

Contributed services

The Organization 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.

Tax exempt status

The Charter School and Metropolitan Support Corporation are tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, are exempt from federal and state taxes on income.

The Charter School and Metropolitan Support Corporation file Form 990 tax returns in the U.S. federal jurisdiction. In addition, Metropolitan Support Corporation files Form CHAR 500 in New York State. The LLC is a single member LLC and is disregarded for tax purposes. The current and prior three years' tax returns remain subject to potential review by taxing authorities. Management of the Organization believes it has no material uncertain tax positions and, accordingly, will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$506,500 and \$542,500 for the years ended June 30, 2025 and 2024, respectively.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED 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

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2024

The consolidated 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 Organization's consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Leases

The Organization leases building space, parking 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 consolidated statement of financial position.

ROU assets represent the Organization'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. Operating 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 Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating 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 Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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

The Organization has elected to apply the short-term lease exception to all classes of underlying assets. Short-term leases are not material to the consolidated financial statements.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization 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.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED 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

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the consolidated statement of financial position date through October 27, 2025, which is the date the consolidated financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments and accounts receivable. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the supporting services to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by restricted resources. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated 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	\$ 7,967,835	\$ 5,655,262
Investments	3,076,351	3,618,446
Grants and contracts receivable	444,847	664,851
Pledge receivable - current portion	<u>280,000</u>	<u>-</u>
Total financial assets available to management within one year	11,769,033	9,938,559
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted cash	<u>(2,049,319)</u>	<u>(1,993,069)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 9,719,714</u>	<u>\$ 7,945,490</u>

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE C: RESTRICTED CASH

Restricted cash includes amounts the Organization is required to segregate in connection with the issuance of the Revenue Bonds Series A, as described in Note F. These accounts are held by the Trustee. At June 30, 2025 and 2024, restricted cash consists of the following:

	June 30,	
	2025	2024
Project fund (1)	\$ 208,858	\$ 208,858
Expense fund (2)	30,461	24,211
Debt service reserve fund (3)	1,610,000	1,610,000
Repair and replacement fund (4)	200,000	150,000
	<u>\$ 2,049,319</u>	<u>\$ 1,993,069</u>

- (1) The Project fund is set aside for the purpose of paying project costs.
- (2) The Expense fund was created for the purpose of paying annual fees to the bond issuer and rating agency.
- (3) The Organization is required to set aside a debt service reserve fund to secure payments of the bond offering.
- (4) The Organization is required to set aside a repair and replacement fund for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the facility in sound condition.

NOTE D: PLEDGE RECEIVABLES

Pledge receivables are recorded at their estimated net present value using a discount rate of 4.17%. Future payments to be received on the pledge receivable are as follows:

	June 30,	
	2025	2024
Within on year	\$ 280,000	\$ -
In one to four years	420,000	-
	700,000	-
Less:		
Discount to net present value	(54,387)	-
	<u>\$ 645,613</u>	<u>\$ -</u>

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	<u>2025</u>	<u>2024</u>
Land	\$ 4,900,000	\$ 4,900,000
Building and improvements	24,484,970	24,484,970
Furniture and equipment	<u>2,513,672</u>	<u>2,127,580</u>
	31,898,642	31,512,550
Less accumulated depreciation and amortization	<u>6,331,340</u>	<u>5,427,338</u>
	<u>\$ 25,567,302</u>	<u>\$ 26,085,212</u>

Depreciation and amortization expense for the years ended June 30, 2025 and 2024 was \$904,002 and \$989,122, respectively.

NOTE F: BONDS PAYABLE

On December 1, 2017, the Organization obtained financing of \$25,725,000 from Build NYC Resource Corporation (the "Corporation"), a local development corporation of the City of New York, to finance the purchase of the school building and make improvements. In order to facilitate the purchase, the Corporation issued Revenue Bonds, Series 2017A \$24,895,000 and Revenue Bonds Series 2017B \$830,000 to finance the project and pay issuance costs. The 2017B Series Bonds were repaid in full during the year ended June 30, 2022. The proceeds from the bond issuance were loaned to the Organization. The Organization executed a promissory note in favor of the Corporation who endorsed the note to the bond trustees. The agreement calls for the Organization to use the proceeds net of issuance costs to finance the project.

The bonds which require periodic payments bear interest ranging from 4% to 5% and are secured by the building. Bonds payable consist of the following at June 30:

	June 30,	
	<u>2025</u>	<u>2024</u>
Revenue Bonds Series 2017A, interest rate ranging from 4%-5%, due June 1, 2022 through 2052	<u>\$ 23,535,000</u>	<u>\$ 23,945,000</u>
	23,535,000	23,945,000
Add: unamortized bond premium	1,606,795	1,666,306
Less: debt issuance costs, net of accumulated amortization	<u>(1,061,287)</u>	<u>(1,100,594)</u>
	24,080,508	24,510,712
Less: current portion of bonds payable	<u>(430,000)</u>	<u>(410,000)</u>
	<u>\$ 23,650,508</u>	<u>\$ 24,100,712</u>

The bonds principals maturing after June 1, 2025 are subject to mandatory redemptions by the Corporation prior to maturity.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE F: BONDS PAYABLE, Cont'd

Unamortized premium costs relating to the issuance of the Series A bond are \$1,606,795 and \$1,666,306 at June 30, 2025 and 2024, respectively. The unamortized premium costs are amortized over the term of the indebtedness of the total amount issued and included in bonds payable in the consolidated statements of financial position. Debt issuance costs, net of accumulated amortization, total \$1,061,287 and \$1,100,594 as of June 30, 2025 and 2024, respectively, and are recorded as reduction in bonds payable on the accompanying consolidated statement of financial position.

Debt issuance costs consist of the following at June 30:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Debt issuance costs	\$ 1,356,089	\$ 1,356,089
Less: accumulated amortization	<u>(294,802)</u>	<u>(255,495)</u>
	<u>\$ 1,061,287</u>	<u>\$ 1,100,594</u>

The aggregate amount of principal payments subsequent to June 30, 2025 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2026	\$ 430,000
2027	450,000
2028	475,000
2029	500,000
2030	525,000
Thereafter	<u>21,155,000</u>
	<u>\$ 23,535,000</u>

Interest expense on the Series A bonds for the years ended June 30, 2025 and 2024 was \$1,197,250 and \$1,216,750, respectively.

In connection with the bonds payable, the Organization is required to maintain certain financial covenants. At June 30, 2025, the Organization was in compliance with certain financial covenants.

NOTE G: RESERVE FOR PAYMENT OF DEBT SERVICE

In order to induce the Corporation to issue the bonds, the Organization entered into an agreement with the Charter School Financing Partnership LLC (the "Enhancer") to help fund the debt service reserve fund. In December 2017, the Enhancer deposited \$1,610,000 into the debt service reserve account and pledged that amount to the bond issuer. The Organization recorded the transaction as restricted cash and reserve for payment of debt service, respectively. At the end of the bond term, the debt service reserve fund will be returned to the Enhancer.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED 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	\$ 8,073,411	\$ 7,084,251
Invested in property and equipment, net of related debt	<u>1,486,794</u>	<u>1,574,500</u>
	<u>\$ 9,560,205</u>	<u>\$ 8,658,751</u>

Net assets with donor restrictions are as follows:

	June 30,	
	<u>2025</u>	<u>2024</u>
Time restricted - unrestricted pledges due in future periods	<u>\$ 645,613</u>	<u>\$ -</u>

NOTE I: LEASES

Related Party Facility Lease

The Charter School is related to 180 West 165th Street LLC through common management. During 2017, the Charter School entered into a lease agreement with the related party for property located at 180 West 165th Street, Bronx NY, commencing on the date of January 5, 2018, through June 2052. The thirty-five-year lease calls for rent based on a fixed rent schedule provided in the sublease agreement. The Charter School has the option to renew the lease for 2 five-year terms at the end of the initial lease term. Rent paid to 180 West 165th Street LLC under the terms of this agreement was approximately \$1,712,000 and \$1,712,000 for each of the years ended June 30, 2025 and 2024. Rent expense and rental income for each of the years ended June 30, 2025 and 2024 was approximately \$1,682,000. The related lease asset and liability as well as rental income and rental expense are eliminated in consolidation.

Parking Lot Lease

The Charter School has an operating lease with monthly payments of approximately \$6,800 to rent parking space. This lease was extended during the year ended June 30, 2024, with monthly payments of approximately \$7,100 from September 2023 to August 2024. This lease was again extended during the year ended June 30, 2025, with monthly payments of approximately \$7,500 from September 2024 to August 2025. In 2024, the Charter School entered into an additional parking lot lease with monthly payments of approximately \$6,000 through August 2024. This lease was not renewed. In August 2024, a new lease for additional parking was entered into with monthly payments of approximately \$6,000 through September 2025. This lease was renewed under the same terms through August 2026.

Rental expense was approximately \$161,600 and \$151,700 for the years ended June 30, 2025 and 2024, respectively.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE I: LEASES, Cont'd

Equipment Lease

The Charter School has an operating lease with monthly payments of approximately \$2,000 to rent copiers for school operations through November 2025. Rental expense was approximately \$59,000 and \$49,000 for the years ended June 30, 2025 and 2024, respectively.

Facility Sublease

The Charter School entered into an operating facility sublease on July 26, 2024. The sublease commences once certain conditions in the lease are met and expires 36 months after the commencement date with two one year options to renew. The conditions were met and the lease commenced October 17, 2024. The sublease calls for escalating payments starting at approximately \$53,000 per month. In year two, the square footage doubles with a proportionate increase in rent. In addition, the sublease requires the Charter School to pay its proportionate share of real estate taxes and insurance. The sublease requires payment of \$59,017 due on signing of the lease for first month's rent and additional fees as well as a \$117,799 security deposit. The sublease was amended on March 12, 2025 which was retroactive to the commencement date. This amendment added \$16,850 to monthly rent and \$1,100 to monthly utility fees for sublease year 1 only with a corresponding increase to certain square footage. Years 2 and after were unaffected by the amendment.

Rental expense was approximately \$502,000 for the year ended June 30, 2025.

Future estimated sub-lease payments under this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2026	\$ 1,278,000
2027	1,452,000
2028	1,487,000
2029	437,000
	<u>\$ 4,654,000</u>

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE I: LEASES, Cont'd

A summary of lease right-of-use assets and liabilities at June 30, 2025 and 2024 are as follows:

	<u>Consolidated Statement of Financial Position Classification</u>	<u>Pre- Consolidated Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total June 30,</u>	
				<u>2025</u>	<u>2024</u>
<u>Assets</u>					
Operating Leases	Other assets	<u>\$ 32,863,184</u>	<u>\$(30,678,314)</u>	<u>\$ 2,184,870</u>	<u>\$ 33,263</u>
<u>Liabilities</u>					
Current:					
Operating Leases	Current liabilities	\$ 1,419,666	\$ (758,209)	\$ 661,457	\$ 23,340
Non-current					
Operating Leases	Other liabilities	<u>32,007,799</u>	<u>(30,359,934)</u>	<u>1,647,865</u>	<u>9,925</u>
		<u>\$ 33,427,465</u>	<u>\$(31,118,143)</u>	<u>\$ 2,309,322</u>	<u>\$ 33,265</u>

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE I: LEASES, Cont'd

The components of lease expense were as follows:

	June 30,	
	2025	2024
Operating lease expense	\$ 2,243,312	\$ 1,705,744

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

	Pre- Consolidated Total	Consolidating Eliminations	Consolidated Total
2026	\$ 2,450,218	\$ (1,710,802)	\$ 739,416
2027	2,459,987	(1,708,658)	751,329
2028	2,484,352	(1,710,483)	773,869
2029	1,910,291	(1,711,020)	199,271
2030	1,710,270	(1,710,270)	-
Thereafter	37,297,620	(37,297,620)	-
Total lease payments	48,312,738	(45,848,853)	2,463,885
Less: Interest	(14,885,273)	14,730,710	(154,563)
Present value of lease liabilities	\$ 33,427,465	\$ (31,118,143)	\$ 2,309,322

Supplemental information:

	June 30,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating leases	\$ 2,148,962	\$ 1,735,930
ROU assets obtained in exchange for:		
Operating lease liabilities	\$ 2,638,569	\$ -
Weighted-average remaining lease term:		
Operating leases	25.36 years	27.97 years
Weighted-average discount rate:		
Operating leases	3.15%	3.11%

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE J: 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 Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the consolidated accompanying financial statements for such potential claims.

NOTE K: CONCENTRATIONS

At June 30, 2025 and 2024, approximately 96% and 90% of receivables are due from federal agencies related to certain grant programs.

For the years ended June 30, 2025 and 2024, approximately 79% and 85% of total operating revenue and support came from per-pupil funding provided by New York State through the New York City School District, respectively. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located. For the year ended June 30, 2024, approximately 10% of total operating revenue and support came from federal grants. For the year ended June 30, 2025, less than 3% of total operating revenue and support came from federal grants.

NOTE L: RETIREMENT PLAN

The Organization has a 401(k) Plan for employees who are at least 21 years old and have completed one month of service. The plan includes a safe harbor employer matching provision. The Organization must match employee contributions dollar for dollar, not to exceed 4% of compensation. The Charter School makes a safe harbor match of 6% of compensation effective January 1, 2022. Safe harbor contributions are immediately vested with the participants. For the years ended June 30, 2025 and 2024, employer contributions totaled \$209,286 and \$238,078, respectively.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE M: FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America (“GAAP”) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025 and 2024.

US Treasuries: Investments are valued at the closing price reported in the active market in which the treasuries are traded.

Financial assets carried at fair value at June 30, 2025 are classified in the table as follows:

	<u>Assets at Fair Value as of June 30, 2025</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets carried at fair value:				
Fixed income				
US Treasuries	\$ -	\$ 3,076,351	\$ -	\$ 3,076,351
Total assets at fair value	<u>\$ -</u>	<u>\$ 3,076,351</u>	<u>\$ -</u>	<u>\$ 3,076,351</u>

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE M: FAIR VALUE MEASUREMENTS, Cont'd

Financial assets carried at fair value at June 30, 2024 are classified in the table as follows:

	<u>Assets at Fair Value as of June 30, 2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets carried at fair value:				
Fixed income				
US Treasuries	\$ -	\$ 3,618,446	\$ -	\$ 3,618,446
Total assets at fair value	<u>\$ -</u>	<u>\$ 3,618,446</u>	<u>\$ -</u>	<u>\$ 3,618,446</u>

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the risk associated with investment securities, it is at least reasonably possible that changes in risk could materially affect the accompanying consolidated financial statements.

NOTE N: FUNCTIONAL EXPENSES

The consolidated 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. The expenses that are allocated include rent, repairs and maintenance which are allocated on a square footage basis, as well as salaries, benefits, payroll taxes and others which are allocated on the basis of time spent in each functional category or program.

NOTE O: GIFTS IN-KIND

The Charter School received donated textbooks of approximately \$29,000 and \$52,600, during the years ended June 30, 2025 and 2024, respectively. There were no associated donor restrictions with the contributions. The goods were valued at cost indicated by the donor. The goods were allocated 100% to Educational Services program on the accompanying consolidated statement of functional expenses.

NOTE P: 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 Organization has recognized \$652,567 of revenue relative to ESSER grants during the year ended June 30, 2024. As of June 30, 2024, the Organization has expended their entire budgeted ESSER allocation. No funding was recognized during the year ended June 30, 2025.

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

OTHER CONSOLIDATING FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING FINANCIAL INFORMATION

Board of Trustees
Next Generation Charter School and Affiliate

We have audited the consolidated financial statements of Next Generation Charter School and Affiliate as of and for the year ended June 30, 2025, and we have issued our report thereon dated October 27, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The 2025 consolidating financial information hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements for the year ended June 30, 2025, as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 27, 2025

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

<u>ASSETS</u>	<u>Next Generation Charter School</u>	<u>Metropolitan Support Corporation</u>	<u>Pre- Consolidated Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
<u>CURRENT ASSETS</u>					
Cash and cash equivalents (including restricted cash of \$2,049,319)	\$ 5,761,268	\$ 2,206,567	\$ 7,967,835	\$ -	\$ 7,967,835
Investments	3,076,351	-	3,076,351	-	3,076,351
Grants and contract receivables	462,122	-	462,122	(17,275)	444,847
Pledge receivable - current portion	280,000	-	280,000	-	280,000
Prepaid expenses	90,057	-	90,057	-	90,057
TOTAL CURRENT ASSETS	<u>9,669,798</u>	<u>2,206,567</u>	<u>11,876,365</u>	<u>(17,275)</u>	<u>11,859,090</u>
<u>PROPERTY AND EQUIPMENT, net</u>					
Right-of-use assets - operating	32,863,184	-	32,863,184	(30,678,314)	2,184,870
Pledge receivable, net of current portion	365,613	-	365,613	-	365,613
Deferred lease receivable	-	439,829	439,829	(439,829)	-
Security deposits	149,322	-	149,322	-	149,322
Cash in escrow	70,330	-	70,330	-	70,330
	<u>33,448,449</u>	<u>439,829</u>	<u>33,888,278</u>	<u>(31,118,143)</u>	<u>2,770,135</u>
TOTAL ASSETS	<u>\$ 46,418,029</u>	<u>\$ 24,913,916</u>	<u>\$ 71,331,945</u>	<u>\$ (31,135,418)</u>	<u>\$ 40,196,527</u>

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Cont'd

JUNE 30, 2025

<u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u>	<u>Next Generation Charter School</u>	<u>Metropolitan Support Corporation</u>	<u>Pre- Consolidated Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
<u>CURRENT LIABILITIES</u>					
Current portion of bonds payable	\$ -	\$ 430,000	\$ 430,000	\$ -	\$ 430,000
Accounts payable and accrued expenses	568,999	17,275	586,274	(17,275)	568,999
Accrued payroll and payroll taxes	1,206,280	-	1,206,280	-	1,206,280
Deferred revenue	215,600	-	215,600	-	215,600
Current portion of lease liabilities - operating	<u>1,419,666</u>	<u>-</u>	<u>1,419,666</u>	<u>(758,209)</u>	<u>661,457</u>
TOTAL CURRENT LIABILITIES	3,410,545	447,275	3,857,820	(775,484)	3,082,336
<u>OTHER LIABILITIES</u>					
Bonds payable, net of unamortized bond issuance costs of \$1,061,287	-	23,650,508	23,650,508	-	23,650,508
Reserve for payment of debt service	-	1,610,000	1,610,000	-	1,610,000
Long-term lease liabilities - operating	<u>32,007,799</u>	<u>-</u>	<u>32,007,799</u>	<u>(30,359,934)</u>	<u>1,647,865</u>
TOTAL LIABILITIES	<u>35,418,344</u>	<u>25,260,508</u>	<u>57,268,307</u>	<u>(30,359,934)</u>	<u>26,908,373</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>10,354,072</u>	<u>(793,867)</u>	<u>9,560,205</u>	<u>-</u>	<u>9,560,205</u>
Without donor restrictions	645,613	-	645,613	-	645,613
With donor restrictions	<u>10,999,685</u>	<u>(793,867)</u>	<u>10,205,818</u>	<u>-</u>	<u>10,205,818</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>\$ 46,418,029</u>	<u>\$ 24,913,916</u>	<u>\$ 71,331,945</u>	<u>\$ (31,135,418)</u>	<u>\$ 40,196,527</u>

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2025

	Next Generation Charter School	Metropolitan Support Corporation	Pre- Consolidated Total	Consolidating Eliminations	Consolidated Total
Operating revenue and support:					
State and local per pupil operating revenue	\$ 16,706,370	\$ -	\$ 16,706,370	\$ -	\$ 16,706,370
Federal grants	624,689	-	624,689	-	624,689
NYC DoE rental assistance	2,214,284	-	2,214,284	-	2,214,284
Investment income	259,186	-	259,186	-	259,186
In-kind revenue	29,009	-	29,009	-	29,009
Rental income	-	1,681,816	1,681,816	(1,681,816)	-
Private grants and contributions	1,284,780	965	1,285,745	-	1,285,745
TOTAL OPERATING REVENUE AND SUPPORT	21,118,318	1,682,781	22,801,099	(1,681,816)	21,119,283
Expenses:					
Program services:					
Educational services	15,450,864	-	15,450,864	(1,513,634)	13,937,230
Metropolitan Support Corporation	-	1,765,348	1,765,348	-	1,765,348
Management and general	4,037,820	-	4,037,820	(168,182)	3,869,638
TOTAL EXPENSES	19,488,684	1,765,348	21,254,032	(1,681,816)	19,572,216
CHANGE IN NET ASSETS	1,629,634	(82,567)	1,547,067	-	1,547,067
Net assets (deficiency) at beginning of year	9,370,051	(711,300)	8,658,751	-	8,658,751
NET ASSETS (DEFICIENCY) AT END OF YEAR	\$ 10,999,685	\$ (793,867)	\$ 10,205,818	\$ -	\$ 10,205,818

NEXT GENERATION 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 CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Next Generation 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 consolidated financial statements of Next Generation Charter School, which comprise the consolidated 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 consolidated financial statements, and have issued our report thereon dated October 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Next Generation Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Next Generation Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Next Generation 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 Organization's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Next Generation Charter School's consolidated 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 determination of financial statement amounts. 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 27, 2025

NEXT GENERATION CHARTER SCHOOL AND AFFILIATE

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2025

FINDINGS – FINANCIAL STATEMENT AUDIT

- None

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2024-001

Criteria

2 CFR 200.512(b) requires the Organization submit the audit, the data collection form, and the reporting package within 30 calendar days after the auditee receives the auditor's report or nine months after the end of the audit period (whichever is earlier). The reporting package must include the following:

- Financial statements and schedule of expenditures of federal awards
- Summary schedule of prior audit findings
- Auditor's reports
- Corrective action plan

Timely submission allows federal agencies to evaluate compliance and take management actions.

Statement of condition and cause

The Single Audit report for year ended June 30, 2024 was submitted in October 2025, seven months after the nine month deadline. The financial statements of the Organization were not finalized due to the inability of the Organization to obtain a waiver of the bond financial covenant to determine the proper classification of debt.

Effect

Delay in federal program review could affect funding allocations and compliance monitoring.

Questioned Costs

None

Repeat Finding

No

Recommendation

We recommend that the Organization work with the funder to identify and obtain any covenant waivers if necessary in a more timely fashion.

Management response

See corrective action plan.

Status

The Organization was not required to comply with the reporting requirements of 2 CFR 200.512(b) for the year ended June 30, 2025 as the level of federal funding expended was below the reporting threshold.