

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

QUEENS, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY GOVERNMENT
AUDITING STANDARDS**

OTHER FINANCIAL INFORMATION

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
Our World Neighborhood Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Our World Neighborhood Charter Schools, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net deficiency, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Our World Neighborhood 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 Our World Neighborhood 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 Summarized Comparative Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025 on our consideration of Our World Neighborhood 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 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 Our World Neighborhood Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 30, 2025

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

(With Comparative Totals for 2024)

	<u>June 30,</u>	
<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,255,776	\$ 1,627,219
Grants and contracts receivable	960,356	1,483,714
Prepaid expenses	333,207	213,221
TOTAL CURRENT ASSETS	3,549,339	3,324,154
<u>PROPERTY AND EQUIPMENT, net</u>	3,129,730	3,356,648
<u>OTHER ASSETS</u>		
Cash in escrow	232,209	207,178
Deferred compensation investments	43,510	20,349
Security deposits	1,073,386	1,031,744
Right-of-use-assets - operating	122,851,714	125,562,146
TOTAL OTHER ASSETS	124,200,819	126,821,417
TOTAL ASSETS	<u>\$ 130,879,888</u>	<u>\$ 133,502,219</u>
<u>LIABILITIES AND NET DEFICIENCY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 892,073	\$ 1,000,462
Accrued payroll and benefits	2,622,648	2,519,149
Current portion of lease liabilities - operating	854,662	511,931
TOTAL CURRENT LIABILITIES	4,369,383	4,031,542
<u>OTHER LIABILITIES</u>		
Deferred compensation	43,510	20,349
Long-term lease liabilities - operating	131,380,822	131,569,090
	131,424,332	131,589,439
TOTAL LIABILITIES	135,793,715	135,620,981
<u>NET DEFICIENCY, without donor restrictions</u>	<u>(4,913,827)</u>	<u>(2,118,762)</u>
TOTAL LIABILITIES AND NET DEFICIENCY	<u>\$ 130,879,888</u>	<u>\$ 133,502,219</u>

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET DEFICIENCY

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

	Without donor restrictions	
	Year ended June 30,	
	2025	2024
Revenue, gains and other support:		
Public school district		
Resident student enrollment	\$ 26,141,244	\$ 24,444,053
Students with disabilities	2,362,808	2,227,858
Grants and contracts		
State and local	104,384	232,467
Federal - Title and IDEA	601,016	498,048
Federal - Other	1,100,962	1,209,193
NYC DOE rental assistance	3,388,664	3,303,138
Food service / child nutrition program	231,669	225,560
TOTAL REVENUE, GAINS AND OTHER SUPPORT	33,930,747	32,140,317
Expenses:		
Program services:		
Regular education	29,875,298	28,337,422
Special education	2,181,362	2,041,314
Total program services	32,056,660	30,378,736
Management and general	5,551,211	5,230,054
Fundraising and special events	142,348	122,395
TOTAL OPERATING EXPENSES	37,750,219	35,731,185
DEFICIT FROM SCHOOL OPERATIONS	(3,819,472)	(3,590,868)
Support and other revenue:		
Contributions	950,168	703,625
Interest income	59	3,211
Other income	74,180	35,074
TOTAL SUPPORT AND OTHER REVENUE	1,024,407	741,910
CHANGE IN NET (DEFICIENCY) ASSETS	(2,795,065)	(2,848,958)
Net (deficiency) assets at beginning of year	(2,118,762)	730,196
NET DEFICIENCY AT END OF YEAR	\$ (4,913,827)	\$ (2,118,762)

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

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

	No. of Positions	Year ended June 30,							2024
		2025							
		Program Services			Supporting Services			Total	
	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total	
Personnel services costs:									
Administrative staff personnel	41.4	\$ 2,058,259	\$ 272,394	\$ 2,330,653	\$ 1,914,276	\$ 100,248	\$ 2,014,524	\$ 4,345,177	\$ 4,079,281
Instructional personnel	156.0	11,693,269	1,463,486	13,156,755	-	-	-	13,156,755	12,351,647
Non-instructional personnel	2.0	153,376	-	153,376	-	-	-	153,376	143,990
Total personnel services costs	199.4	13,904,904	1,735,880	15,640,784	1,914,276	100,248	2,014,524	17,655,308	16,574,918
Fringe benefits and payroll taxes		2,592,168	313,488	2,905,656	426,393	23,452	449,845	3,355,501	3,199,807
Retirement		554,055	82,685	636,740	126,503	8,081	134,584	771,324	704,436
Legal service		-	-	-	24,417	-	24,417	24,417	30,405
Accounting / audit services		-	-	-	88,800	-	88,800	88,800	86,949
Other purchased / professional / consulting services		1,471,606	-	1,471,606	389,046	-	389,046	1,860,652	1,667,268
Building and land rent / lease / facility finance interest		6,735,317	-	6,735,317	1,645,190	-	1,645,190	8,380,507	8,469,294
Repairs and maintenance		883,472	-	883,472	237,867	-	237,867	1,121,339	890,600
Insurance		189,143	-	189,143	46,271	-	46,271	235,414	225,768
Utilities		616,975	126	617,101	141,923	231	142,154	759,255	750,164
Supplies / materials		683,856	18,270	702,126	1,121	-	1,121	703,247	426,915
Equipment / furnishings		87,172	-	87,172	20,574	247	20,821	107,993	95,187
Staff development		191,574	3,472	195,046	7,624	-	7,624	202,670	427,959
Marketing / recruitment		235,157	-	235,157	25,233	8,079	33,312	268,469	230,476
Technology		340,052	227	340,279	137,882	314	138,196	478,475	313,224
Food service		219,824	-	219,824	-	-	-	219,824	315,637
Student services		59,950	201	60,151	160	-	160	60,311	30,166
Office expense		158,312	339	158,651	133,644	93	133,737	292,388	397,232
Depreciation		797,353	507	797,860	129,012	-	129,012	926,872	700,167
Other		154,408	26,167	180,575	55,275	1,603	56,878	237,453	194,613
		<u>\$ 29,875,298</u>	<u>\$ 2,181,362</u>	<u>\$ 32,056,660</u>	<u>\$ 5,551,211</u>	<u>\$ 142,348</u>	<u>\$ 5,693,559</u>	<u>\$ 37,750,219</u>	<u>\$ 35,731,185</u>

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

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

	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net (deficiency) assets	\$ (2,795,065)	\$ (2,848,958)
Adjustments to reconcile change in net (deficiency) assets to net cash provided from operating activities:		
Depreciation	926,872	700,167
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	523,358	251,388
Prepaid expenses	(119,986)	(23,749)
Accounts payable and accrued expenses	(108,389)	(36,694)
Accrued payroll and benefits	103,499	477,573
Deferred revenue	-	(492,181)
Operating lease liabilities, net of right-of-use assets	<u>2,864,895</u>	<u>3,052,062</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,395,184	1,079,608
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(699,954)	(1,529,897)
Security deposits	<u>(41,642)</u>	<u>-</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(741,596)</u>	<u>(1,529,897)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	653,588	(450,289)
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,834,397</u>	<u>2,284,686</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 2,487,985</u>	<u>\$ 1,834,397</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS 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	\$ 2,255,776	\$ 1,627,219
Cash in escrow	<u>232,209</u>	<u>207,178</u>
	<u>\$ 2,487,985</u>	<u>\$ 1,834,397</u>

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

(With Comparative Totals for 2024)

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

The Charter School

Our World Neighborhood Charter Schools is an education corporation that has authority to operate the Charter Schools as described below. The education corporation was organized to increase learning opportunities for students through innovative educational programs and to enable parents to be more involved in their children's education.

Our World Neighborhood Charter School ("OWN") is a charter school that operates under the education corporation in the borough of Queens, New York. On July 18, 2012, the Board of Regents of the University of the State of New York granted OWN a charter valid for a term of five years. The charter has been renewed multiple times, most recently on April 27, 2023, when the Charter School was granted an additional renewal through July 2028.

On June 13, 2016, the Board of Regents of the University of the State of New York amended the OWN charter agreement permitting additional charter schools under OWN's education corporation. During the 2017 fiscal year, OWN added Our World Neighborhood Charter School 2 ("OWN 2") under its expanded charter. The charter was most recently renewed on April 27, 2023 to be effective through July 2028.

On October 18, 2018, the Board of Regents of the University of the State of New York approved an additional charter school, Our World Neighborhood Charter School 3 ("OWN 3"), to operate under the OWN education corporation. The school opened for students in Fall 2022. The charter is valid through July 2027.

Basis of presentation

The accompanying financial statements include the accounts of OWN, OWN 2 and OWN 3 (collectively referred to as the "Charter Schools"). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Financial Statement presentation

The financial statements of the Charter Schools have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter Schools report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

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 that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter Schools had no net assets with donor restrictions at June 30, 2025 or 2024.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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

Net Assets Without Donor Restrictions – The net assets over which the Board of Trustees has discretionary control to use in carrying on the Charter Schools' operations in accordance with the guidelines established by the Charter Schools. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Revenue recognition

Revenue from Exchange Transactions: The Charter Schools recognize 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 Charter Schools record substantially all revenues over time as follows:

Public school district revenue

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

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.

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

	June 30,		
	2025	2024	2023
Grants and contracts receivable	\$ 52,392	\$ 139,019	\$ 62,907

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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

Contributions

The Charter Schools recognize 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. No contributions were deferred at June 30, 2025 and 2024.

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

Grant revenue

Some of the Charter Schools' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter Schools have incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. The Charter Schools received cost-reimbursement grants of approximately \$35,200 and \$330,000 that have not been recognized at June 30, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and certain money market account balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Charter Schools consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In the normal course of business, the cash and cash equivalent account balances at any given time may exceed insured limits. However, the Charter Schools have not experienced any losses in such accounts and do not believe they are exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Charter Schools maintain cash in escrow accounts, in accordance with the terms of the Charter Agreements. The escrow is restricted to fund legal and other costs related to the dissolution of the Charter Schools, should this become necessary. The amount in escrow was \$232,209 and \$207,178 at June 30, 2025 and 2024, respectively.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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

Grants and contracts receivable

At each fiscal year end, the Charter Schools evaluate the need for an expected allowance for credit losses for all outstanding balances that fall under ASU 2014-09. As necessary, the allowance for credit losses is updated at fiscal year-end to reflect any changes in credit risk since the receivable was initially recorded. The allowance for credit losses is calculated on a pooled basis where similar risk characteristics exist.

The Charter Schools use historical loss data as a starting point to estimate expected credit losses, given consistent revenue sources since its inception. Write-offs for the years ended June 30, 2025 and 2024 were minimal.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which typically range from three to thirty years.

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.

Security deposits

Security deposits consist of payments to third parties in connection with facility lease agreements.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Tax exempt status

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

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

Contributed services

The Charter Schools receive contributed services from volunteers to serve on the Board of Trustees. In addition, the Charter Schools receive transportation services and a school nurse which were provided for the students from the local district. The Charter Schools were unable to determine a value for these services.

Use of estimates in the preparation of financial statements

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

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

Marketing and recruitment costs

The Charter Schools expense marketing and recruitment costs as they are incurred. Total marketing and recruiting costs were \$268,469 and \$230,476 for the years ended June 30, 2025 and 2024, respectively.

Comparatives for year ended June 30, 2024

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

Leases

The Charter Schools lease several buildings and equipment and determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and other liabilities on the accompanying statement of financial position.

ROU assets represent the Charter Schools' 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 Charter Schools use a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter Schools will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

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

The Charter Schools have lease agreements with lease and non-lease components, which are generally accounted for separately. These variable lease payments, which are primarily comprised of utilities and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In evaluating contracts to determine if they qualify as a lease, the Charter Schools consider factors such as if the Charter Schools have obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter Schools 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.

Subsequent events

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter Schools regularly monitor liquidity required to meet their operating needs and other contractual commitments. The Charter Schools' main source of liquidity is their cash and cash equivalents accounts.

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

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

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

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,255,776	\$ 1,627,219
Grants and contracts receivable	<u>960,356</u>	<u>1,483,714</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 3,216,132</u>	<u>\$ 3,110,933</u>

As noted on the accompanying statement of financial position, the Charter Schools are in a net deficit position of approximately \$4,900,000 at June 30, 2025 and incurred a deficit of approximately \$2,800,000 during fiscal 2025. A significant portion of the loss related to non-cash activities, including depreciation of approximately \$927,000 and lease expense in excess of cash paid under the lease agreements of approximately \$2,870,000. If these non-cash items were not included, the change in net assets for the year ended June 30, 2025 would be approximately \$997,000. As further described in Note A, the Charter Schools are eligible for rental assistance from NYCDOE for their facilities at OWN 2 and OWN 3. Future rental assistance payments are expected to cover future lease-related costs and as a result management of the Charter Schools believe they will be able to meet their obligations as they arise.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Leasehold improvements	\$ 1,452,640	\$ 5,067,799
Equipment and furniture and fixtures	<u>4,489,801</u>	<u>6,599,740</u>
	5,942,441	11,667,539
Less accumulated depreciation	<u>2,812,711</u>	<u>8,310,891</u>
	<u>\$ 3,129,730</u>	<u>\$ 3,356,648</u>

Total depreciation expense was \$926,872 and \$700,167 for the years ended June 30, 2025 and 2024, respectively. During fiscal 2025, management performed a review of property and equipment and updated their records to remove any assets that were no longer in service. All disposals were fully depreciated.

NOTE D: LEASES

The Charter Schools lease their school facilities under non-cancelable lease agreements expiring at various dates through June 2056. Certain leases contain early termination and/or extension options. The Charter Schools lease office equipment under non-cancelable lease agreements expiring in June 2029.

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

	<u>Statement of Financial Position Classification</u>	<u>June 30,</u>	
		<u>2025</u>	<u>2024</u>
<u>Assets</u>			
Operating Leases	Other assets	<u>\$ 122,851,714</u>	<u>\$ 125,562,146</u>
<u>Liabilities</u>			
Current:			
Operating Leases	Current liabilities	\$ 854,662	\$ 511,931
Long-term:			
Operating Leases	Other liabilities	<u>131,380,822</u>	<u>131,569,090</u>
		<u>\$ 132,235,484</u>	<u>\$ 132,081,021</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE D: LEASES, Cont'd

The components of lease expense were as follows:

	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Operating lease cost	<u>\$ 8,156,765</u>	<u>\$ 8,138,098</u>
Variable lease cost	<u>\$ 341,889</u>	<u>\$ 278,593</u>

As of June 30, 2025, minimum payments due for the above lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2026	\$ 5,586,969
2027	6,211,171
2028	6,334,877
2029	6,636,288
2030	6,600,127
Thereafter	<u>188,198,161</u>
Total lease payments	219,567,593
Less: Interest	<u>(87,332,109)</u>
Present value of lease liabilities	<u>\$ 132,235,484</u>

Supplemental information:

	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 5,286,712	\$ 5,086,036
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Operating leases	\$ 835,753	\$ 84,205,890
Weighted-average remaining lease term:		
Operating leases	26.84 years	27.82 years
Weighted-average discount rate:		
Operating leases	3.64%	3.64%

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE E: RETIREMENT PLANS

The Charter Schools sponsor a 401(k) plan (the “Plan”) for its employees. All employees of the Charter Schools are eligible to participate. The Charter Schools match 100% of the employee’s contributions up to 3% of eligible compensation and make a safe harbor contribution of 3% of eligible compensation per year. During the years ended June 30, 2025 and 2024, the Charter Schools contributed approximately \$771,300 and \$704,400, respectively, to the Plan.

Effective January 1, 2024, the Charter Schools established a IRS Section 457(b) Deferred Compensation Plan (the “457(b) Plan”) for certain officers of the Charter Schools including the Chief Executive Officer, Chief Academic Officer, and Chief Financial Officer. Officers become eligible upon completion of five years of employment. The 457(b) Plan permits contributions at any amount based on an allocation formula determined by the Charter Schools, up to the maximum amount allowed under IRS regulations, which as of June 30, 2025 is \$23,500. The officers are fully vested in any contributions to the 457(b) Plan. Contributions to the 457(b) Plan during both the years ended June 30, 2025 and 2024 totaled \$20,000. Total assets and liabilities of \$43,510 and \$20,349 as of June 30, 2025 and 2024, respectively, under this plan is included in deferred compensation investments and deferred compensation on the accompanying statement of financial position. Deferred compensation investments consist of publicly traded mutual funds.

NOTE F: CONTINGENCY

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

NOTE G: CONCENTRATIONS

At June 30, 2025, approximately 83% of grants and contracts receivable are due from New York State Department of Education relating to certain grants. During the year ended June 30, 2025, 82% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter Schools’ students are located.

At June 30, 2024, approximately 75% of grants and contracts receivable are due from New York State Department of Education relating to certain grants. During the year ended June 30, 2024, 81% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter Schools’ students are located.

NOTE H: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses (including salaries, fringe benefits and payroll taxes, retirement, purchased services, occupancy costs, depreciation and supplies and materials) which are allocated to more than one program or supporting function are allocated on the basis of estimates of time, effort, and usage.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE I: NET DEFICIENCY

Net deficiency without donor restrictions are as follows:

	June 30,	
	<u>2025</u>	<u>2024</u>
Undesignated net assets	\$ 1,340,213	\$ 1,043,465
Right of use assets, net of lease liabilities	(9,383,770)	(6,518,875)
Invested in property and equipment	<u>3,129,730</u>	<u>3,356,648</u>
	<u>\$ (4,913,827)</u>	<u>\$ (2,118,762)</u>

There were no net assets with donor restrictions at June 30, 2025 and 2024.

NOTE J: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter Schools recognized \$301,870 and \$325,887 of revenue relative to ESSER grants during the years ended June 30, 2025 and 2024, respectively. The ESSER grant period ended September 30, 2024.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Our World Neighborhood Charter Schools

We have audited the financial statements of Our World Neighborhood Charter Schools as of and for the year ended June 30, 2025, and have issued our report thereon dated October 30, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is 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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 30, 2025

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIENCY) ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2025

	<u>Our World Neighborhood Charter School</u>	<u>Our World Neighborhood Charter School 2</u>	<u>Our World Neighborhood Charter School 3</u>	<u>Eliminations</u>	<u>Total</u>
Revenue, gains, and other support:					
Public school district					
Resident student enrollment	\$ 12,797,568	\$ 8,113,717	\$ 5,229,959	\$ -	\$ 26,141,244
Students with disabilities	1,018,644	957,341	386,823	-	2,362,808
Grants and contracts					
State and local	55,939	33,702	14,743	-	104,384
Federal - Title and IDEA	239,399	237,098	124,519	-	601,016
Federal - Other	749,400	351,562	-	-	1,100,962
NYC DOE rental assistance	-	2,143,926	1,244,738	-	3,388,664
Food service / child nutrition program	231,669	-	-	-	231,669
	<u>15,092,619</u>	<u>11,837,346</u>	<u>7,000,782</u>	<u>-</u>	<u>33,930,747</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT					
Expenses:					
Program services:					
Regular education	13,526,918	8,726,739	7,621,641	-	29,875,298
Special education	1,075,924	663,165	442,273	-	2,181,362
Total program services	14,602,842	9,389,904	8,063,914	-	32,056,660
Management and general	2,427,458	1,622,959	1,500,794	-	5,551,211
Fundraising and special events	69,941	43,312	29,095	-	142,348
	<u>17,100,241</u>	<u>11,056,175</u>	<u>9,593,803</u>	<u>-</u>	<u>37,750,219</u>
TOTAL OPERATING EXPENSES					
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(2,007,622)	781,171	(2,593,021)	-	(3,819,472)
Support and other revenue:					
Contributions	465,750	303,918	180,500	-	950,168
Interest income	13	39	7	-	59
Other income	43,534	28,505	2,141	-	74,180
	<u>509,297</u>	<u>332,462</u>	<u>182,648</u>	<u>-</u>	<u>1,024,407</u>
TOTAL SUPPORT AND OTHER REVENUE					
CHANGE IN NET (DEFICIENCY) ASSETS	(1,498,325)	1,113,633	(2,410,373)	-	(2,795,065)
Net assets (deficiency) at beginning of year	56,714	2,458,673	(4,634,149)	-	(2,118,762)
NET (DEFICIENCY) ASSETS AT END OF YEAR	<u>\$ (1,441,611)</u>	<u>\$ 3,572,306</u>	<u>\$ (7,044,522)</u>	<u>\$ -</u>	<u>\$ (4,913,827)</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
OUR WORLD NEIGHBORHOOD CHARTER SCHOOL

YEAR ENDED JUNE 30, 2025

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	18.7	\$ 1,017,899	\$ 134,711	\$ 1,152,610	\$ 946,693	\$ 49,577	\$ 996,270	\$ 2,148,880
Instructional personnel	75.0	5,782,832	723,758	6,506,590	-	-	-	6,506,590
Non-instructional personnel	1.0	75,851	-	75,851	-	-	-	75,851
Total personnel services costs	94.7	6,876,582	858,469	7,735,051	946,693	49,577	996,270	8,731,321
Fringe benefits and payroll taxes		1,305,303	157,859	1,463,162	214,713	11,809	226,522	1,689,684
Retirement		278,657	41,586	320,243	63,624	4,064	67,688	387,931
Legal service		-	-	-	11,576	-	11,576	11,576
Accounting / audit services		-	-	-	43,736	-	43,736	43,736
Other purchased / professional / consulting services		716,647	-	716,647	189,459	-	189,459	906,106
Building and land rent / lease / facility finance interest		2,201,877	-	2,201,877	537,838	-	537,838	2,739,715
Repairs and maintenance		372,104	-	372,104	100,186	-	100,186	472,290
Insurance		90,576	-	90,576	22,158	-	22,158	112,734
Utilities		333,658	68	333,726	76,751	125	76,876	410,602
Supplies / materials		270,714	7,232	277,946	444	-	444	278,390
Equipment / furnishings		44,870	-	44,870	10,590	127	10,717	55,587
Staff development		89,176	1,607	90,783	3,529	-	3,529	94,312
Marketing / recruitment		102,571	-	102,571	11,056	3,526	14,582	117,153
Technology		156,789	105	156,894	63,573	145	63,718	220,612
Food service		219,824	-	219,824	-	-	-	219,824
Student services		16,117	53	16,170	42	-	42	16,212
Office expense		71,088	152	71,240	60,011	42	60,053	131,293
Depreciation		329,716	210	329,926	53,348	-	53,348	383,274
Other		50,649	8,583	59,232	18,131	526	18,657	77,889
		<u>\$ 13,526,918</u>	<u>\$ 1,075,924</u>	<u>\$ 14,602,842</u>	<u>\$ 2,427,458</u>	<u>\$ 69,941</u>	<u>\$ 2,497,399</u>	<u>\$ 17,100,241</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
OUR WORLD NEIGHBORHOOD CHARTER SCHOOL 2

YEAR ENDED JUNE 30, 2025

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	14.0	\$ 620,602	\$ 82,132	\$ 702,734	\$ 577,190	\$ 30,227	\$ 607,417	\$ 1,310,151
Instructional personnel	47.0	3,525,738	441,268	3,967,006	-	-	-	3,967,006
Non-instructional personnel	0.5	46,246	-	46,246	-	-	-	46,246
Total personnel services costs	61.5	4,192,586	523,400	4,715,986	577,190	30,227	607,417	5,323,403
Fringe benefits and payroll taxes		776,240	93,876	870,116	127,686	7,023	134,709	1,004,825
Retirement		165,994	24,772	190,766	37,900	2,421	40,321	231,087
Legal service		-	-	-	3,302	-	3,302	3,302
Accounting / audit services		-	-	-	28,416	-	28,416	28,416
Other purchased / professional / consulting services		387,645	-	387,645	102,481	-	102,481	490,126
Building and land rent / lease / facility finance interest		1,839,471	-	1,839,471	449,315	-	449,315	2,288,786
Repairs and maintenance		241,714	-	241,714	65,079	-	65,079	306,793
Insurance		60,685	-	60,685	14,846	-	14,846	75,531
Utilities		175,029	36	175,065	40,262	65	40,327	215,392
Supplies / materials		210,136	5,614	215,750	344	-	344	216,094
Equipment / furnishings		34,030	-	34,030	8,031	97	8,128	42,158
Staff development		80,519	1,451	81,970	3,186	-	3,186	85,156
Marketing / recruitment		72,888	-	72,888	7,857	2,505	10,362	83,250
Technology		118,571	79	118,650	48,078	109	48,187	166,837
Student services		32,829	107	32,936	86	-	86	33,022
Office expense		56,310	121	56,431	47,535	33	47,568	103,999
Depreciation		201,952	128	202,080	32,676	-	32,676	234,756
Other		80,140	13,581	93,721	28,689	832	29,521	123,242
		<u>\$ 8,726,739</u>	<u>\$ 663,165</u>	<u>\$ 9,389,904</u>	<u>\$ 1,622,959</u>	<u>\$ 43,312</u>	<u>\$ 1,666,271</u>	<u>\$ 11,056,175</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
OUR WORLD NEIGHBORHOOD CHARTER SCHOOL 3

YEAR ENDED JUNE 30, 2025

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	8.7	\$ 419,758	\$ 55,551	\$ 475,309	\$ 390,393	\$ 20,444	\$ 410,837	\$ 886,146
Instructional personnel	34.0	2,384,699	298,460	2,683,159	-	-	-	2,683,159
Non-instructional personnel	0.5	31,279	-	31,279	-	-	-	31,279
Total personnel services costs	43.2	2,835,736	354,011	3,189,747	390,393	20,444	410,837	3,600,584
Fringe benefits and payroll taxes		510,625	61,753	572,378	83,994	4,620	88,614	660,992
Retirement		109,404	16,327	125,731	24,979	1,596	26,575	152,306
Legal service		-	-	-	9,539	-	9,539	9,539
Accounting / audit services		-	-	-	16,648	-	16,648	16,648
Other purchased / professional / consulting services		367,314	-	367,314	97,106	-	97,106	464,420
Building and land rent / lease / facility finance interest		2,693,969	-	2,693,969	658,037	-	658,037	3,352,006
Repairs and maintenance		269,654	-	269,654	72,602	-	72,602	342,256
Insurance		37,882	-	37,882	9,267	-	9,267	47,149
Utilities		108,288	22	108,310	24,910	41	24,951	133,261
Supplies / materials		203,006	5,424	208,430	333	-	333	208,763
Equipment / furnishings		8,272	-	8,272	1,953	23	1,976	10,248
Staff development		21,879	414	22,293	909	-	909	23,202
Marketing / recruitment		59,698	-	59,698	6,320	2,048	8,368	68,066
Technology		64,692	43	64,735	26,231	60	26,291	91,026
Student services		11,004	41	11,045	32	-	32	11,077
Office expense		30,914	66	30,980	26,098	18	26,116	57,096
Depreciation		265,685	169	265,854	42,988	-	42,988	308,842
Other		23,619	4,003	27,622	8,455	245	8,700	36,322
		<u>\$ 7,621,641</u>	<u>\$ 442,273</u>	<u>\$ 8,063,914</u>	<u>\$ 1,500,794</u>	<u>\$ 29,095</u>	<u>\$ 1,529,889</u>	<u>\$ 9,593,803</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



BUSINESS
ADVISORS
AND CPAS

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

Board of Trustees
Our World Neighborhood Charter Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Our World Neighborhood Charter Schools, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net deficiency, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 30, 2025