

Capital Prep Charter Schools NY

Financial Statements and
Uniform Guidance Schedules
Together with Independent Auditors' Reports

June 30, 2021 and 2020

Capital Prep Charter Schools NY

Financial Statements and Uniform Guidance Schedules Together with Independent Auditors' Report

June 30, 2021 and 2020

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Independent Auditors' Report

Board of Trustees
Capital Prep Charter Schools NY

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Prep Charter Schools NY (the "School"), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the year ended June 30, 2021 and for the period from October 4, 2018 (inception) to June 30, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year ended June 30, 2021 and for the period from October 4, 2018 (inception) to June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school on pages 19 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 22 as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 27, 2021

Capital Prep Charter Schools NY

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Current Assets		
Cash	\$ 2,589,842	\$ 1,781,188
Grants and contracts receivable	1,194,378	662,830
Prepaid expenses and other current assets	7,013	69,344
Security deposit, current portion	-	500,000
Total Current Assets	3,791,233	3,013,362
Property and equipment, net	1,110,094	887,306
Security deposit	742,000	142,000
Restricted cash	100,000	75,000
	\$ 5,743,327	\$ 4,117,668
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 139,216	\$ 57,530
Refundable advances	4,974	-
Due to related party	646,674	216,980
Promissory note, related party, current portion	300,000	100,000
Deferred rent, current portion	16,667	240,208
Capital lease obligation, current portion	17,648	-
Total Current Liabilities	1,125,179	614,718
Paycheck Protection Program loan payable	-	702,830
Promissory note, related party	200,000	300,000
Deferred rent	316,666	-
Capital lease obligation	22,061	-
Total Liabilities	1,663,906	1,617,548
Net Assets		
Without donor restrictions	4,079,421	2,083,120
With donor restrictions	-	417,000
Total Net Assets	4,079,421	2,500,120
	\$ 5,743,327	\$ 4,117,668

See notes to financial statements

Capital Prep Charter Schools NY

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
General education	\$ 9,316,092	\$ -	\$ 9,316,092
Special education	1,636,156	-	1,636,156
Lease assistance	2,383,683	-	2,383,683
Federal grants	1,234,160	-	1,234,160
Federal IDEA and E-Rate	164,204	-	164,204
State grants	<u>52,230</u>	-	<u>52,230</u>
Total Operating Revenue	<u>14,786,525</u>	-	<u>14,786,525</u>
EXPENSES			
Program Services			
Regular education	9,339,573	-	9,339,573
Special education	<u>3,838,376</u>	-	<u>3,838,376</u>
Total Program Services	13,177,949	-	13,177,949
Supporting Services			
Management and general	960,129	-	960,129
Fundraising	<u>3,744</u>	-	<u>3,744</u>
Total Expenses	<u>14,141,822</u>	-	<u>14,141,822</u>
Surplus from Operations	<u>644,703</u>	-	<u>644,703</u>
SUPPORT AND OTHER REVENUE			
Grants and contributions	231,768	-	231,768
Gain on forgiveness of Paycheck			
Protection Program Loan	702,830	-	702,830
Net assets released from restrictions	<u>417,000</u>	<u>(417,000)</u>	<u>-</u>
Total Support and Other Revenue	<u>1,351,598</u>	<u>(417,000)</u>	<u>934,598</u>
Change in Net Assets	1,996,301	(417,000)	1,579,301
NET ASSETS			
Beginning of year	<u>2,083,120</u>	<u>417,000</u>	<u>2,500,120</u>
End of year	<u>\$ 4,079,421</u>	<u>\$ -</u>	<u>\$ 4,079,421</u>

See notes to financial statements

Capital Prep Charter Schools NY

Statement of Activities
Period from October 4, 2018 (inception) to June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
General education	\$ 6,076,745	\$ -	\$ 6,076,745
Special education	909,129	-	909,129
Lease assistance	1,473,350	-	1,473,350
Federal grants	665,510	-	665,510
Federal IDEA and E-Rate	108,053	-	108,053
State and city grants	39,208	-	39,208
Total Operating Revenue	9,271,995	-	9,271,995
EXPENSES			
Program Services			
Regular education	5,581,564	-	5,581,564
Special education	2,399,962	-	2,399,962
Total Program Services	7,981,526	-	7,981,526
Supporting Services			
Management and general	699,801	-	699,801
Fundraising	2,631	-	2,631
Total Expenses	8,683,958	-	8,683,958
Surplus from Operations	588,037	-	588,037
SUPPORT AND OTHER REVENUE			
Grants and contributions	531,456	417,000	948,456
Change in Net Assets	1,119,493	417,000	1,536,493
NET ASSETS			
Beginning of period	-	-	-
Transfer of net assets pursuant to merger of CP Harlem	963,627	-	963,627
End of period	\$ 2,083,120	\$ 417,000	\$ 2,500,120

Capital Prep Charter Schools NY

Statement of Functional Expenses
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	11	\$ 751,057	\$ 153,265	\$ 904,322	\$ 349,541	\$ 2,153	\$ 1,256,016
Instructional personnel	75	3,187,477	1,700,254	4,887,731	-	-	4,887,731
Non-instructional personnel	<u>6</u>	<u>242,594</u>	<u>65,005</u>	<u>307,599</u>	<u>-</u>	<u>-</u>	<u>307,599</u>
Total Salaries and Staff	<u>92</u>	4,181,128	1,918,524	6,099,652	349,541	2,153	6,451,346
Fringe benefits and payroll taxes		897,858	412,543	1,310,401	74,791	460	1,385,652
Retirement		40,817	18,643	59,460	3,454	22	62,936
Management company fees		1,124,091	314,836	1,438,927	111,505	-	1,550,432
Legal services		-	-	-	99,955	-	99,955
Accounting/audit services		-	-	-	50,638	-	50,638
Other purchased/professional/consulting services		233,881	77,072	310,953	812	5	311,770
Building and land rent/lease		1,626,701	704,507	2,331,208	144,813	787	2,476,808
Repairs and maintenance		165,508	66,331	231,839	18,276	111	250,226
Insurance		35,825	16,127	51,952	2,784	14	54,750
Utilities		60,881	22,992	83,873	7,270	43	91,186
Supplies/materials		185,347	42,049	227,396	-	-	227,396
Equipment/furnishings		34,904	9,622	44,526	34	-	44,560
Staff development		35,244	9,712	44,956	1,448	11	46,415
Marketing/recruitment		65,459	20,704	86,163	1,549	8	87,720
Technology		141,976	62,628	204,604	17,047	85	221,736
Food services		41,598	11,337	52,935	-	-	52,935
Student services		102,932	21,268	124,200	-	-	124,200
Office expense		22,336	10,099	32,435	60,575	20	93,030
Depreciation and amortization		316,928	92,022	408,950	9,594	25	418,569
Other expenses		<u>26,159</u>	<u>7,360</u>	<u>33,519</u>	<u>6,043</u>	<u>-</u>	<u>39,562</u>
 Total Expenses		<u>\$ 9,339,573</u>	<u>\$ 3,838,376</u>	<u>\$ 13,177,949</u>	<u>\$ 960,129</u>	<u>\$ 3,744</u>	<u>\$ 14,141,822</u>

Capital Prep Charter Schools NY

Statement of Functional Expenses
Period from October 4, 2018 (Inception) to June 30, 2020

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	7	\$ 376,198	\$ 87,332	\$ 463,530	\$ 205,227	\$ 1,045	\$ 669,802
Instructional personnel	43	1,832,041	991,963	2,824,004	16,450	-	2,840,454
Non-instructional personnel	7	275,166	63,522	338,688	41,721	851	381,260
Total Salaries and Staff	<u>57</u>	<u>2,483,405</u>	<u>1,142,817</u>	<u>3,626,222</u>	<u>263,398</u>	<u>1,896</u>	<u>3,891,516</u>
Fringe benefits and payroll taxes		701,882	328,312	1,030,194	64,847	374	1,095,415
Retirement		16,845	7,965	24,810	1,455	8	26,273
Management company fees		577,067	209,044	786,111	92,225	-	878,336
Legal services		-	-	-	116,166	-	116,166
Accounting/audit services		-	-	-	30,198	-	30,198
Other purchased/professional/consulting services		251,100	56,489	307,589	10,347	4	317,940
Building and land rent/lease		827,960	401,679	1,229,639	63,594	239	1,293,472
Repairs and maintenance		58,700	28,478	87,178	4,508	17	91,703
Insurance		36,051	16,516	52,567	2,931	10	55,508
Utilities		6,465	2,353	8,818	599	1	9,418
Supplies/materials		72,444	19,724	92,168	-	-	92,168
Equipment/furnishings		29,486	8,518	38,004	3,041	1	41,046
Staff development		23,062	6,276	29,338	-	-	29,338
Marketing/recruitment		47,838	13,906	61,744	3,712	6	65,462
Technology		103,939	45,881	149,820	9,443	41	159,304
Food services		69,356	18,874	88,230	-	-	88,230
Student services		54,533	14,840	69,373	-	-	69,373
Office expense		18,552	8,902	27,454	21,159	8	48,621
Depreciation and amortization		196,064	67,803	263,867	10,684	26	274,577
Other expenses		6,815	1,585	8,400	1,494	-	9,894
Total Expenses		<u>\$ 5,581,564</u>	<u>\$ 2,399,962</u>	<u>\$ 7,981,526</u>	<u>\$ 699,801</u>	<u>\$ 2,631</u>	<u>\$ 8,683,958</u>

See notes to financial statements

Capital Prep Charter Schools NY

Statements of Cash Flows

	Year Ended June 30, 2021	Period from October 18, 2018 (Inception) to June 30, 2020
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,579,301	\$ 1,536,493
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	418,569	274,577
Deferred rent	93,125	240,208
Gain on forgiveness of Paycheck Protection Program Loan	(702,830)	-
Transfer of net assets pursuant to merger of CP Harlem	-	963,627
Changes in operating assets and liabilities		
Grants and contracts receivable	(531,548)	(662,830)
Prepaid expenses and other current assets	62,331	(69,344)
Security deposits	(100,000)	(642,000)
Accounts payable and accrued expenses	81,686	57,530
Refundable advances	4,974	-
Due to related party	429,694	216,980
Net Cash from Operating Activities	<u>1,335,302</u>	<u>1,915,241</u>
 CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	<u>(589,092)</u>	<u>(1,161,883)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan payable	-	702,830
Proceeds from promissory note, related party	100,000	500,000
Repayment of promissory note, related party	-	(100,000)
Principal payments on capital lease obligation	<u>(12,556)</u>	<u>-</u>
Net Cash from Financing Activities	<u>87,444</u>	<u>1,102,830</u>
 Net Change in Cash and Restricted Cash	833,654	1,856,188
 CASH AND RESTRICTED CASH		
Beginning of period	<u>1,856,188</u>	<u>-</u>
 End of period	<u>\$ 2,689,842</u>	<u>\$ 1,856,188</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Furniture and fixtures acquired under a capital lease	\$ 52,265	\$ -

See notes to financial statements

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Tax Status

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

Capital Preparatory Bronx Charter School ("CP Bronx") is a New York State, not-for-profit educational corporation that was incorporated on October 4, 2018 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. CP Bronx was granted a provisional charter on October 4, 2018 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (the "Board of Regents"). CP Bronx's charter will expire July 31, 2025. CP Bronx opened in the fall of 2020.

Capital Preparatory Harlem Charter School ("CP Harlem") is a New York State, not-for-profit educational corporation that was incorporated on November 18, 2014 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. CP Harlem was granted a provisional charter on November 18, 2014 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (the "Board of Regents"). Effective July 1, 2019, CP Harlem's charter approval was amended and restated to merge CP Harlem and CP Bronx into a single not-for-profit legal entity. The Board of Regents approved and issued a renewal to the School's charter now expiring on June 30, 2026.

CP Bronx and CP Harlem merged into a single not-for-profit legal entity under CP Bronx, which serves as the sole surviving educational corporation. The plan of merger was approved by the State University of New York Charter School Committee on June 14, 2019, and became effective for financial purposes on July 1, 2019. Each school is authorized by the Charter Schools Institute of the State University of New York under CP Bronx's provisional charter, as amended to effect the merger, and the surviving entity's name was changed to Capital Prep Charter Schools NY.

The School's mission is to provide historically disadvantaged students with the college and career readiness skills needed to become responsible and engaged citizens for social justice. The School provided education to approximately 573 students in grades sixth through twelfth during the 2020-2021 academic year.

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

The School is affiliated with Friends of Capital Preparatory Harlem Charter School, Inc. ("FOCPHCS"), a New York not-for-profit organization, by one common Board member. There were no transactions with FOCPHCS for the periods ended June 30, 2021 and 2020, except for donations made from FOCPHCS to the School in the total amount of \$700,000 for the periods ended June 30, 2021 and 2020, and a sublease agreement signed March 26, 2021 (see Note 10).

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Net Asset Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general support of the School’s operations and not subject to donor or grantor restrictions. Net assets without donor restrictions may be used at the discretion of the School’s management and Board of Trustees.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions for specific activities of the School or to be used at some future date. 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.

Restricted Cash

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

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 2,589,842	\$ 1,781,188
Restricted cash	<u>100,000</u>	<u>75,000</u>
	<u>\$ 2,689,842</u>	<u>\$ 1,856,188</u>

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

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

Furniture and fixtures	7 years
Computers and equipment	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the periods ended June 30, 2021 and 2020.

Deferred Rent

The School records its rent in accordance with U.S. GAAP, whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentive, is reflected in deferred rent in the accompanying statements of financial position.

Revenue and Support

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

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

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

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

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the periods ended June 30, 2021 and 2020 was \$87,720 and \$65,462.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. All returns filed by the School are subject to examinations by the applicable taxing jurisdictions.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 27, 2021.

3. Grants and Contracts Receivable

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

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	2021	2020
Furniture and fixtures	\$ 722,088	\$ 393,070
Computers and equipment	1,006,591	658,411
Leasehold improvements	567,693	466,580
Construction in progress	<u>-</u>	<u>136,954</u>
	2,296,372	1,655,015
Accumulated depreciation and amortization	<u>(1,186,278)</u>	<u>(767,709)</u>
	<u>\$ 1,110,094</u>	<u>\$ 887,306</u>

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

4. Property and Equipment *(continued)*

Construction in progress at June 30, 2020 consists of costs of construction to prepare the Bronx facility for occupancy. The Bronx facility was placed into service on July 1, 2020 (see Note 10).

5. Liquidity and Availability of Financial Assets

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

	2021	2020
Cash	\$ 2,589,842	\$ 1,781,188
Grants and contracts receivable	1,194,378	662,830
Security deposit, current portion	<u>-</u>	<u>500,000</u>
	3,784,220	2,944,018
Less amounts unavailable for general expenditures:		
Net assets with donor restrictions	<u>-</u>	<u>(417,000)</u>
	<u>\$ 3,784,220</u>	<u>\$ 2,527,018</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see Note 9).

6. Related Party Transactions *(not disclosed elsewhere)*

The School is affiliated with Capital Preparatory Schools, Inc. ("CPS"), a Connecticut non-stock corporation, by common management.

During fiscal 2017, the School entered into a full service agreement with CPS to undertake, on its behalf, functions in regards to business, administrative, and academic services of the School. Effective March 10, 2020, this agreement was amended to expire on June 30, 2021 for CP Harlem and July 31, 2025 for BP Bronx, and shall continue thereafter for five year terms to run concurrent with each of the schools' respective charters. As compensation to CPS for these services rendered, during the periods ended June 30, 2021 and 2020, the School paid to CPS an amount equal to 10% of the School's gross revenues, which is defined under the full service agreement as funding provided by state, federal, and local government (if applicable) but shall exclude any competitive public grants and private grant funding awarded to the School.

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

6. Related Party Transactions (not disclosed elsewhere) (continued)

For the periods ended June 30, 2021 and 2020, the School incurred \$1,550,432 and \$878,336 in management fees to CPS, along with \$429,694 and \$147,673 of operating expenses paid by CPS on behalf of the School. Net balance due to CPS from the School was \$646,674 and \$216,980 at June 30, 2021 and 2020.

On March 25, 2019, the School entered into a promissory note payable with CPS in the amount of \$500,000 to fund the security deposit under the lease agreement for space located at 1660 Boone Avenue, Bronx, New York (see Note 10). The note matures on June 1, 2024 and does not bear interest. The note is payable in five annual equal installments of \$100,000 by June 1st of each year, starting with June 1, 2020. The installment due June 1, 2021 was paid on July 15, 2021.

On October 7, 2020, the School amended and restated its promissory note payable with CPS to fund a portion of the security deposit under the lease agreement for the space at 41 East 129th Street, New York, New York (see Note 10).

Minimum future principal payments under this note are to be paid as follows for the years ending June 30:

2022	\$ 300,000
2023	100,000
2024	100,000
	<u>500,000</u>
Less current portion	<u>(300,000)</u>
Promissory note, related party	<u>\$ 200,000</u>

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 4% of the participant's annual compensation. Employee match for the periods ended June 30, 2021 and 2020 amounted to \$62,935 and \$26,273.

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2021 and 2020, approximately \$2,439,000 and \$1,606,000 of cash was maintained with an institution in excess of FDIC limits.

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education (“NYCDOE”). For the periods ended June 30, 2021 and 2020, the School received approximately 84% and 83% of its total revenue and support from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School’s finances could be materially adversely affected.

10. Commitments

On March 17, 2016, the School entered into an operating sub-lease agreement with Boys and Girls Harbor, Inc. to sublease a portion of a building located at 1 East 104th Street, New York, New York. The lease term commenced on July 1, 2016 and expired on June 30, 2021, with four successive options to extend the term of the sublease by up to five years per option. The lease was amended several times to reflect changes in the rent rates and leased premises size. The School is currently renegotiating the sublease and anticipates the sublease to be amended. Future minimum lease payments under this lease cannot be determined at this time.

On June 26, 2019, the School entered into a lease agreement with JJS Boone LLC, to lease a building located at 1660 Boone Avenue, Bronx, New York. The term of the lease is for thirty-two years commencing on July 1, 2020. Under the terms of this lease, the School paid a security deposit in the amount of \$500,000 during the period from October 4, 2018 to June 30, 2020. On July 6, 2020, the School terminated the lease due to the landlord being unable to close on the acquisition of the property by July 1, 2020. The security deposit was refunded on November 3, 2020.

On February 10, 2020, the School entered into a lease agreement with 755 Coop City LLC, to lease a building located at 755 Co-op City Boulevard, Bronx, NY 10475. The lease term commenced on July 1, 2020 and expires on December 31, 2022 with an option to extend the lease until June 30, 2023. Under the terms of this lease, the School paid a security deposit in the amount of \$142,000 during the period from October 4, 2018 (inception) to June 30, 2020.

On March 26, 2021, the School entered into a sublease agreement with FOCPHCS to lease a building located at 41 East 129th Street, New York, NY. The lease term commences no later than July 1, 2022 and expires on June 30, 2053, with two options to extend the lease for five years each. Under the terms of this lease, the School paid a security deposit in the amount of \$600,000 during the year ended June 30, 2021. The School is a guarantor for the original lease agreement between FOCPHCS and the landlord.

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

10. Commitments *(continued)*

Future minimum lease payments are as follows for the years ending June 30:

	<u>CP Harlem</u>	<u>CP Bronx</u>	<u>Total</u>
2022	\$ -	\$ 1,200,000	\$ 1,200,000
2023	2,751,000	1,500,000	4,251,000
2024	2,806,020	-	2,806,020
2025	2,862,140	-	2,862,140
2026	2,919,383	-	2,919,383
Thereafter	<u>105,247,299</u>	<u>-</u>	<u>105,247,299</u>
	<u>\$ 116,585,842</u>	<u>\$ 2,700,000</u>	<u>\$ 119,285,842</u>

Rent expense for the periods ended June 30, 2021 and 2020 was \$2,476,808 and \$1,293,472.

11. Capital Lease Obligation

The School leases kitchen equipment under a capital lease that expires on August 31, 2023. The assets and liabilities under the capital lease are recorded at the present value of the minimum lease payments. The asset is being depreciated over its estimated useful life.

Following is a summary of property and equipment held under a capital lease at June 30, 2021:

Furniture and fixtures	\$ 52,265
Accumulated depreciation	<u>(6,222)</u>
	<u>\$ 46,043</u>

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

2022	\$ 17,648
2023	17,648
2024	<u>4,413</u>
Total minimum lease payments	39,709
Current portion	<u>(17,648)</u>
Capital lease obligation, less current portion	<u>\$ 22,061</u>

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

12. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2020:

CP Harlem		
Staff development	\$	90,000
Student college partnership		40,000
Student recruitment and retention		<u>70,000</u>
		200,000
CP Bronx		
School start-up		<u>217,000</u>
	\$	<u>417,000</u>

Net assets with donor restrictions were fully released during the year ended June 30, 2021.

13. Paycheck Protection Program Loan Payable

On May 4, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$702,830 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for forgiveness of the PPP Loan with respect to these covered expenses and on May 26, 2021, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$702,830 is included in the accompanying 2021 statement of activities as gain on forgiveness of Paycheck Protection Program loan.

14. Contingency

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

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2021 and 2020

15. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

16. Merger Information

As stated in Note 1, the State University of New York Charter School Committee approved a merger of CP Bronx and CP Harlem effective July 1, 2019, into a single legal entity under CP Bronx, which serves as the sole surviving entity. Below is a summary of opening balances as of July 1, 2019 for CP Harlem:

ASSETS

Cash	\$ 1,125,432
Grants and contracts receivable	33,071
Prepaid expenses and other current assets	13,052
Property and equipment, net	682,085
Restricted cash	100,000
	<u>\$ 1,953,640</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 141,847
Refundable advances	252,695
Due to related party	134,613
Deferred rent	435,858
Total Liabilities	<u>965,013</u>
Net assets, without donor restrictions	963,627
	<u>\$ 1,928,640</u>

* * * * *

Capital Prep Charter Schools NY

Supplementary Information

June 30, 2021

Capital Prep Charter Schools NY

Schedule of Activities by School
Year Ended June 30, 2021

	CP Harlem			CP Bronx			Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUE							
State and Local Per Pupil Operating Revenue							
General education	\$ 6,478,041	\$ -	\$ 6,478,041	\$ 2,838,051	\$ -	\$ 2,838,051	\$ 9,316,092
Special education	1,295,139	-	1,295,139	341,017	-	341,017	1,636,156
Lease assistance	1,533,683	-	1,533,683	850,000	-	850,000	2,383,683
Federal grants	437,801	-	437,801	796,359	-	796,359	1,234,160
Federal IDEA and E-Rate	119,718	-	119,718	44,486	-	44,486	164,204
State grants	37,317	-	37,317	14,913	-	14,913	52,230
Total Operating Revenue	<u>9,901,699</u>	<u>-</u>	<u>9,901,699</u>	<u>4,884,826</u>	<u>-</u>	<u>4,884,826</u>	<u>14,786,525</u>
EXPENSES							
Program Services							
Regular education	6,345,593	-	6,345,593	2,993,980	-	2,993,980	9,339,573
Special education	2,903,046	-	2,903,046	935,330	-	935,330	3,838,376
Total Program Services	9,248,639	-	9,248,639	3,929,310	-	3,929,310	13,177,949
Supporting Services							
Management and general	566,282	-	566,282	393,847	-	393,847	960,129
Fundraising	1,665	-	1,665	2,079	-	2,079	3,744
Total Expenses	<u>9,816,586</u>	<u>-</u>	<u>9,816,586</u>	<u>4,325,236</u>	<u>-</u>	<u>4,325,236</u>	<u>14,141,822</u>
Surplus from Operations	<u>85,113</u>	<u>-</u>	<u>85,113</u>	<u>559,590</u>	<u>-</u>	<u>559,590</u>	<u>644,703</u>
SUPPORT AND OTHER REVENUE							
Grants and contributions	211,768	-	211,768	20,000	-	20,000	231,768
Gain on forgiveness of Paycheck Protection Program Loan	702,830	-	702,830	-	-	-	702,830
Net assets released from restrictions	200,000	(200,000)	-	217,000	(217,000)	-	-
Total Support and Other Revenue	<u>1,114,598</u>	<u>(200,000)</u>	<u>914,598</u>	<u>237,000</u>	<u>(217,000)</u>	<u>20,000</u>	<u>934,598</u>
Change in Net Assets	1,199,711	(200,000)	999,711	796,590	(217,000)	579,590	1,579,301
NET ASSETS							
Beginning of year	<u>1,792,271</u>	<u>200,000</u>	<u>1,992,271</u>	<u>290,849</u>	<u>217,000</u>	<u>507,849</u>	<u>2,500,120</u>
End of year	<u>\$ 2,991,982</u>	<u>\$ -</u>	<u>\$ 2,991,982</u>	<u>\$ 1,087,439</u>	<u>\$ -</u>	<u>\$ 1,087,439</u>	<u>\$ 4,079,421</u>

Capital Prep Charter Schools NY

Schedule of Functional Expenses - CP Harlem
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	7	\$ 494,636	\$ 118,929	\$ 613,565	\$ 216,190	\$ 1,140	\$ 830,895
Instructional personnel	59	2,494,123	1,406,047	3,900,170	-	-	3,900,170
Non-instructional personnel	6	233,865	63,734	297,599	-	-	297,599
Total Salaries and Staff	<u>72</u>	<u>3,222,624</u>	<u>1,588,710</u>	<u>4,811,334</u>	<u>216,190</u>	<u>1,140</u>	<u>5,028,664</u>
Fringe benefits and payroll taxes		695,781	343,010	1,038,791	46,677	246	1,085,714
Retirement		30,881	15,224	46,105	2,072	11	48,188
Management company fees		697,701	252,744	950,445	111,505	-	1,061,950
Legal services		-	-	-	79,411	-	79,411
Accounting/audit services		-	-	-	26,730	-	26,730
Other purchased/professional/consulting services		113,260	34,255	147,515	502	3	148,020
Building and land rent/lease		840,780	404,189	1,244,969	48,326	180	1,293,475
Repairs and maintenance		31,301	15,047	46,348	1,799	7	48,154
Insurance		24,723	11,885	36,608	1,421	5	38,034
Utilities		6,247	2,115	8,362	563	1	8,926
Supplies/materials		118,657	32,337	150,994	-	-	150,994
Equipment/furnishings		34,904	9,622	44,526	34	-	44,560
Staff development		20,422	5,566	25,988	54	-	26,042
Marketing/recruitment		47,931	18,152	66,083	1,549	8	67,640
Technology		92,513	45,608	138,121	6,207	33	144,361
Food services		41,598	11,337	52,935	-	-	52,935
Student services		49,477	13,484	62,961	-	-	62,961
Office expense		16,212	7,992	24,204	13,648	6	37,858
Depreciation and amortization		234,422	84,409	318,831	9,594	25	328,450
Other expenses		26,159	7,360	33,519	-	-	33,519
Total Expenses		<u>\$ 6,345,593</u>	<u>\$ 2,903,046</u>	<u>\$ 9,248,639</u>	<u>\$ 566,282</u>	<u>\$ 1,665</u>	<u>\$ 9,816,586</u>

See independent auditors' report

Capital Prep Charter Schools NY

Schedule of Functional Expenses - CP Bronx
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	4	\$ 256,421	\$ 34,336	\$ 290,757	\$ 133,351	\$ 1,013	\$ 425,121
Instructional personnel	16	693,354	294,207	987,561	-	-	987,561
Non-instructional personnel	-	8,729	1,271	10,000	-	-	10,000
Total Salaries and Staff	20	958,504	329,814	1,288,318	133,351	1,013	1,422,682
Fringe benefits and payroll taxes		202,077	69,533	271,610	28,114	214	299,938
Retirement		9,936	3,419	13,355	1,382	11	14,748
Management company fees		426,390	62,092	488,482	-	-	488,482
Legal services		-	-	-	20,544	-	20,544
Accounting/audit services		-	-	-	23,908	-	23,908
Other purchased/professional/consulting services		120,621	42,817	163,438	310	2	163,750
Building and land rent/lease		785,921	300,318	1,086,239	96,487	607	1,183,333
Repairs and maintenance		134,207	51,284	185,491	16,477	104	202,072
Insurance		11,102	4,242	15,344	1,363	9	16,716
Utilities		54,634	20,877	75,511	6,707	42	82,260
Supplies/materials		66,690	9,712	76,402	-	-	76,402
Staff development		14,822	4,146	18,968	1,394	11	20,373
Marketing/recruitment		17,528	2,552	20,080	-	-	20,080
Technology		49,463	17,020	66,483	10,840	52	77,375
Student services		53,455	7,784	61,239	-	-	61,239
Office expense		6,124	2,107	8,231	46,927	14	55,172
Depreciation and amortization		82,506	7,613	90,119	-	-	90,119
Other expenses		-	-	-	6,043	-	6,043
Total Expenses		\$ 2,993,980	\$ 935,330	\$ 3,929,310	\$ 393,847	\$ 2,079	\$ 4,325,236

See independent auditors' report

Capital Prep Charter Schools NY

Uniform Guidance
Schedules and Reports

June 30, 2021

Capital Prep Charter Schools NY

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass-through New York State Education Department:				
Child Nutrition Cluster:				
Summer Food Service Program for Children	10.559	Not available	\$ -	\$ 94,362
 <u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021215295	-	169,757
Title I Grants to Local Educational Agencies	84.010	0021215640	-	103,211
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147215295	-	26,309
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147215640	-	13,626
Student Support and Academic Enrichment Program	84.424	0293215295	-	10,000
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890215295	-	125,576
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890215640	-	23,152
Charter Schools	84.282	0089211026	-	618,217
Charter Schools/Covid-19 Relief	84.282	Not available	-	49,950
Total U.S. Department of Education			-	1,139,798
Total Expenditures of Federal Awards			\$ -	\$ 1,234,160

See independent auditors' report and notes to schedule of expenditures of federal awards

Capital Prep Charter Schools NY

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Capital Prep Charter Schools NY (the "School"), under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented when available.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance

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

Independent Auditors' Report

**Board of Trustees
Capital Prep Charter Schools NY**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Capital Prep Charter Schools NY (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2021

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

PKF O'Connor Davies, LLP

Harrison, New York
October 27, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

**Board of Trustees
Capital Prep Charter Schools NY**

Report on Compliance for Each Major Federal Program

We have audited Capital Prep Charter Schools NY's (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

October 27, 2021

Capital Prep Charter Schools NY

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.282

Charter Schools

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2021.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

Not applicable. The School was not subject to the Uniform Guidance for the year ended June 30, 2020.



**Board of Trustees
Capital Prep Charter Schools NY**

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Capital Prep Charter Schools NY (the "School") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
October 27, 2021

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