

Capital Prep Charter Schools NY

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

June 30, 2022 and 2021

Capital Prep Charter Schools NY
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Uniform Guidance Schedules
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Independent Auditors' Report

Board of Trustees
Capital Prep Charter Schools NY

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Capital Prep Charter Schools NY (the "School") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2022 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* ("Uniform Guidance"), 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 26, 2022, 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 26, 2022

Capital Prep Charter Schools NY

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS		
Current Assets		
Cash	\$ 2,922,936	\$ 2,589,842
Grants and contracts receivable	2,544,687	1,194,378
Prepaid expenses and other current assets	43,974	7,013
Total Current Assets	5,511,597	3,791,233
Property and equipment, net	1,546,804	1,110,094
Security deposit	742,000	742,000
Restricted cash	125,000	100,000
	\$ 7,925,401	\$ 5,743,327
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 377,219	\$ 139,216
Refundable advances	115,264	4,974
Due to related party	888,054	646,674
Promissory note, related party, current portion	200,000	300,000
Deferred rent, current portion	316,665	16,667
Capital lease obligation, current portion	17,648	17,648
Total Current Liabilities	1,914,850	1,125,179
Promissory note, related party	100,000	200,000
Deferred rent	-	316,666
Capital lease obligation	5,645	22,061
Total Liabilities	2,020,495	1,663,906
Net assets, without donor restrictions	5,904,906	4,079,421
	\$ 7,925,401	\$ 5,743,327

See notes to financial statements

Capital Prep Charter Schools NY

Statement of Activities
Year Ended June 30, 2022

OPERATING REVENUE

State and Local Per Pupil Operating Revenue	
General education	\$ 10,978,772
Special education	2,013,369
Lease assistance	2,754,511
Federal grants	1,546,388
Federal IDEA and E-Rate	261,458
State grants	38,653
Total Operating Revenue	<u>17,593,151</u>

EXPENSES

Program Services	
Regular education	10,876,302
Special education	3,830,365
Total Program Services	<u>14,706,667</u>
Supporting Services	
Management and general	1,089,807
Fundraising	4,054
Total Expenses	<u>15,800,528</u>
 Surplus from Operations	 <u>1,792,623</u>

SUPPORT AND OTHER REVENUE

Grants and contributions	2,620
Other revenue	30,242
Total Support and Other Revenue	<u>32,862</u>

Change in Net Assets 1,825,485

NET ASSETS, WITHOUT DONOR RESTRICTIONS

Beginning of year 4,079,421

End of year \$ 5,904,906

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	1,233,340	-	1,233,340
Federal IDEA and E-Rate	165,024	-	165,024
State and city grants	52,230	-	52,230
Total Operating Revenue	<u>14,786,525</u>	<u>-</u>	<u>14,786,525</u>
EXPENSES			
Program Services			
Regular education	9,339,573	-	9,339,573
Special education	3,838,376	-	3,838,376
Total Program Services	13,177,949	-	13,177,949
Supporting Services			
Management and general	960,129	-	960,129
Fundraising	3,744	-	3,744
Total Expenses	<u>14,141,822</u>	<u>-</u>	<u>14,141,822</u>
Surplus from Operations	644,703	-	644,703
SUPPORT AND OTHER REVENUE			
Grants and contributions	231,768	-	231,768
Gain on forgiveness of Paycheck Paycheck Program Loan	702,830	-	702,830
Net assets released from restrictions	417,000	(417,000)	-
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>

Capital Prep Charter Schools NY

Statement of Functional Expenses
Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	11	\$ 777,463	\$ 167,673	\$ 945,136	\$ 356,360	\$ 2,322	\$ 1,303,818
Instructional personnel	56	2,889,926	1,410,727	4,300,653	-	-	4,300,653
Non-instructional personnel	7	320,237	106,401	426,638	-	-	426,638
Total Personnel Services Costs	<u>74</u>	<u>3,987,626</u>	<u>1,684,801</u>	<u>5,672,427</u>	356,360	2,322	6,031,109
Fringe benefits and payroll taxes		820,192	345,858	1,166,050	73,354	479	1,239,883
Retirement		35,505	16,005	51,510	3,089	19	54,618
Management company fees		1,299,685	339,588	1,639,273	122,565	-	1,761,838
Legal services		-	-	-	92,414	-	92,414
Accounting/audit services		-	-	-	49,658	-	49,658
Other purchased/professional/consulting services		763,823	146,148	909,971	526	5	910,502
Building and land rent/lease		1,920,499	674,974	2,595,473	166,795	830	2,763,098
Repairs and maintenance		401,365	145,329	546,694	68,578	168	615,440
Insurance		44,364	16,704	61,068	3,802	18	64,888
Utilities		103,994	25,844	129,838	12,394	56	142,288
Supplies/materials		365,229	99,353	464,582	-	-	464,582
Equipment/furnishings		55,004	18,923	73,927	985	-	74,912
Staff development		58,834	16,399	75,233	6,150	15	81,398
Marketing/recruitment		48,156	17,260	65,416	1,916	11	67,343
Technology		121,242	44,535	165,777	11,393	82	177,252
Food services		282,755	64,848	347,603	-	-	347,603
Student services		215,277	68,053	283,330	-	-	283,330
Office expense		27,986	11,471	39,457	82,773	17	122,247
Depreciation and amortization		299,730	85,726	385,456	7,404	32	392,892
Other expenses		25,036	8,546	33,582	29,651	-	63,233
 Total Expenses		<u>\$ 10,876,302</u>	<u>\$ 3,830,365</u>	<u>\$ 14,706,667</u>	<u>\$ 1,089,807</u>	<u>\$ 4,054</u>	<u>\$ 15,800,528</u>

Capital Prep Charter Schools NY

Statement of Functional Expenses
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
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>307,599</u>
Total Personnel Services Costs	<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>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

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,825,485	\$ 1,579,301
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	392,892	418,569
Deferred rent	(16,668)	93,125
Gain on forgiveness of Paycheck Protection Program Loan	-	(702,830)
Changes in operating assets and liabilities		
Grants and contracts receivable	(1,350,309)	(531,548)
Prepaid expenses and other current assets	(36,961)	62,331
Security deposits	-	(100,000)
Accounts payable and accrued expenses	238,003	81,686
Refundable advances	110,290	4,974
Due to related party	241,380	429,694
Net Cash from Operating Activities	1,404,112	1,335,302
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(829,602)	(589,092)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from promissory note, related party	-	100,000
Repayment of promissory note, related party	(200,000)	-
Principal payments on capital lease obligation	(16,416)	(12,556)
Net Cash from Financing Activities	(216,416)	87,444
Net Change in Cash and Restricted Cash	358,094	833,654
 CASH AND RESTRICTED CASH		
Beginning of year	2,689,842	1,856,188
End of year	\$ 3,047,936	\$ 2,689,842
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Furniture and fixtures acquired under a capital lease	\$ -	\$ 52,265

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2022 and 2021

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 645 students in grades sixth through twelfth during the 2021-2022 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 years ended June 30, 2022 and 2021, except for a contribution made from FOCPHCS to the School in the total amount of \$50,000 for the year ended June 30, 2021, and a sublease agreement signed March 26, 2021 (see Note 10).

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2022 and 2021

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>2022</u>	<u>2021</u>
Cash	\$ 2,922,936	\$ 2,589,842
Restricted cash	<u>125,000</u>	<u>100,000</u>
	<u>\$ 3,047,936</u>	<u>\$ 2,689,842</u>

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2022 and 2021

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 years ended June 30, 2022 and 2021.

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, 2022 and 2021

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 years ended June 30, 2022 and 2021 was \$67,343 and \$87,720.

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 26, 2022.

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:

	2022	2021
Furniture and fixtures	\$ 794,662	\$ 722,088
Computers and equipment	1,352,855	1,006,591
Leasehold improvements	567,693	567,693
Construction in progress	410,764	-
	<u>3,125,974</u>	<u>2,296,372</u>
Accumulated depreciation and amortization	<u>(1,579,170)</u>	<u>(1,186,278)</u>
	<u>\$ 1,546,804</u>	<u>\$ 1,110,094</u>

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2022 and 2021

4. Property and Equipment (*continued*)

Construction in progress at June 30, 2022 consists of costs of construction to prepare the new CP Harlem facility for occupancy. The new CP Harlem facility was placed into service on July 1, 2022 (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:

	<u>2022</u>	<u>2021</u>
Cash	\$ 2,922,936	\$ 2,589,842
Grants and contracts receivable	<u>2,544,687</u>	<u>1,194,378</u>
	<u>\$ 5,467,623</u>	<u>\$ 3,784,220</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 and expired on June 30, 2021 for CP Harlem and will expire on July 31, 2025 for CP 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 years ended June 30, 2022 and 2021, 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.

For the years ended June 30, 2022 and 2021, the School incurred \$1,761,838 and \$1,550,432 in management fees to CPS, along with \$358,562 and \$429,694 of operating expenses paid by CPS on behalf of the School. Net balance due to CPS from the School was \$888,054 and \$646,674 at June 30, 2022 and 2021.

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2022 and 2021

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

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 and the second installment was paid on June 28, 2022.

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:

2023	\$ 200,000
2024	<u>100,000</u>
	300,000
Less current portion	<u>(200,000)</u>
Promissory note, related party	<u>\$ 100,000</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 years ended June 30, 2022 and 2021 amounted to \$54,619 and \$62,935.

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and restricted 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, 2022 and 2021, approximately \$2,798,000 and \$2,439,000 of cash was maintained with an institution in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education ("NYCDOE"). For the years ended June 30, 2022 and 2021, the School received approximately 90% and 84% 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.

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2022 and 2021

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 for CP Harlem. 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. On March 16, 2022, The School renegotiated the sublease and the sublease expired on June 30, 2022.

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 for CP Harlem. The lease term commenced on 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. Effective July 1, 2022, CP Harlem moved into this new facility. Moving costs associated with this move amounted to \$201,099 for the year ended June 30, 2022.

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 for CP Bronx. The term of the lease is for thirty-two years commencing on July 1, 2020. Under the terms of this lease, CP Bronx paid a security deposit in the amount of \$500,000 during the period from October 4, 2018 (inception) 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 for CP Bronx. 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. On December 6, 2021, the School exercised its right to extend the term of the lease for an additional six-month period commencing January 1, 2023 and expiring on June 30th, 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.

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

	CP Harlem	CP Bronx	Total
2023	\$ 2,751,000	\$ 1,750,000	\$ 4,501,000
2024	2,806,020	-	2,806,020
2025	2,862,140	-	2,862,140
2026	2,919,383	-	2,919,383
2027	2,977,771	-	2,977,771
Thereafter	<u>102,269,528</u>	<u>-</u>	<u>102,269,528</u>
	<u>\$ 116,585,842</u>	<u>\$ 1,750,000</u>	<u>\$ 118,335,842</u>

Building and lease expense for the years ended June 30, 2022 and 2021 was \$2,763,098 and \$2,476,808.

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2022 and 2021

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:

	2022	2021
Furniture and fixtures	\$ 52,265	\$ 52,265
Accumulated depreciation	<u>(13,688)</u>	<u>(6,222)</u>
	<u>\$ 38,577</u>	<u>\$ 46,043</u>

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

2023	\$ 17,648
2024	<u>5,645</u>
Total minimum lease payments	23,293
Current portion	<u>(17,648)</u>
Capital lease obligation, less current portion	<u>\$ 5,645</u>

12. Net Assets with Donor Restrictions

Net assets with donor restrictions were released as follows for the year ended June 30, 2021:

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>

Capital Prep Charter Schools NY

Notes to Financial Statements
June 30, 2022 and 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.

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.

* * * * *

Capital Prep Charter Schools NY

Supplementary Information

June 30, 2022

Capital Prep Charter Schools NY

Schedule of Activities by School
Year Ended June 30, 2022

	CP Harlem	CP Bronx	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
General education	\$ 7,082,561	\$ 3,896,211	\$ 10,978,772
Special education	1,663,534	349,835	2,013,369
Lease assistance	1,579,766	1,174,745	2,754,511
Federal grants	1,088,795	457,593	1,546,388
Federal IDEA and E-Rate	206,598	54,860	261,458
State grants	28,556	10,097	38,653
Total Operating Revenue	11,649,810	5,943,341	17,593,151
EXPENSES			
Program Services			
Regular education	6,646,047	4,230,255	10,876,302
Special education	2,923,944	906,421	3,830,365
Total Program Services	9,569,991	5,136,676	14,706,667
Supporting Services			
Management and general	669,401	420,406	1,089,807
Fundraising	2,055	1,999	4,054
Total Expenses	10,241,447	5,559,081	15,800,528
Surplus from Operations	1,408,363	384,260	1,792,623
SUPPORT AND OTHER REVENUE			
Grants and contributions	2,620	-	2,620
Other revenue	28,085	2,157	30,242
Total Support and Other Revenue	30,705	2,157	32,862
Change in Net Assets	1,439,068	386,417	1,825,485
NET ASSETS			
Beginning of year	2,991,982	1,087,439	4,079,421
End of year	\$ 4,431,050	\$ 1,473,856	\$ 5,904,906

Capital Prep Charter Schools NY

Schedule of Functional Expenses - CP Harlem
Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	7	\$ 529,539	\$ 126,240	\$ 655,779	\$ 230,548	\$ 1,300	\$ 887,627
Instructional personnel	37	1,908,108	1,105,541	3,013,649	-	-	3,013,649
Non-instructional personnel	6	307,322	104,904	412,226	-	-	412,226
Total Personnel Services Costs	<u>50</u>	<u>2,744,969</u>	<u>1,336,685</u>	<u>4,081,654</u>	<u>230,548</u>	<u>1,300</u>	<u>4,313,502</u>
Fringe benefits and payroll taxes		561,310	273,335	834,645	47,144	266	882,055
Retirement		29,294	14,265	43,559	2,460	14	46,033
Management company fees		766,909	277,815	1,044,724	122,565	-	1,167,289
Legal services		-	-	-	63,285	-	63,285
Accounting/audit services		-	-	-	27,635	-	27,635
Other purchased/professional/consulting services		252,868	75,012	327,880	314	2	328,196
Building and land rent/lease		1,031,779	462,679	1,494,458	84,991	316	1,579,765
Repairs and maintenance		235,991	105,825	341,816	19,439	72	361,327
Insurance		29,136	13,066	42,202	2,400	9	44,611
Utilities		10,822	3,481	14,303	1,030	1	15,334
Supplies/materials		252,907	86,330	339,237	-	-	339,237
Equipment/furnishings		55,004	18,923	73,927	985	-	74,912
Staff development		29,363	10,023	39,386	4,325	-	43,711
Marketing/recruitment		37,069	15,974	53,043	1,916	11	54,970
Technology		51,114	24,890	76,004	4,293	24	80,321
Food services		142,251	48,557	190,808	-	-	190,808
Student services		191,175	65,258	256,433	-	-	256,433
Office expense		17,557	8,549	26,106	41,135	8	67,249
Depreciation and amortization		181,493	74,731	256,224	7,404	32	263,660
Other expenses		25,036	8,546	33,582	7,532	-	41,114
Total Expenses		<u>\$ 6,646,047</u>	<u>\$ 2,923,944</u>	<u>\$ 9,569,991</u>	<u>\$ 669,401</u>	<u>\$ 2,055</u>	<u>\$ 10,241,447</u>

See independent auditors' report

Capital Prep Charter Schools NY

Schedule of Functional Expenses - CP Bronx
Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	4	\$ 247,924	\$ 41,433	\$ 289,357	\$ 125,812	\$ 1,022	\$ 416,191
Instructional personnel	19	981,818	305,186	1,287,004	-	-	1,287,004
Non-instructional personnel	1	12,915	1,497	14,412	-	-	14,412
Total Personnel Services Costs	<u>24</u>	<u>1,242,657</u>	<u>348,116</u>	<u>1,590,773</u>	<u>125,812</u>	<u>1,022</u>	<u>1,717,607</u>
Fringe benefits and payroll taxes		258,882	72,523	331,405	26,210	213	357,828
Retirement		6,211	1,740	7,951	629	5	8,585
Management company fees		532,776	61,773	594,549	-	-	594,549
Legal services		-	-	-	29,129	-	29,129
Accounting/audit services		-	-	-	22,023	-	22,023
Other purchased/professional/consulting services		510,955	71,136	582,091	212	3	582,306
Building and land rent/lease		888,720	212,295	1,101,015	81,804	514	1,183,333
Repairs and maintenance		165,374	39,504	204,878	49,139	96	254,113
Insurance		15,228	3,638	18,866	1,402	9	20,277
Utilities		93,172	22,363	115,535	11,364	55	126,954
Supplies/materials		112,322	13,023	125,345	-	-	125,345
Staff development		29,471	6,376	35,847	1,825	15	37,687
Marketing/recruitment		11,087	1,286	12,373	-	-	12,373
Technology		70,128	19,645	89,773	7,100	58	96,931
Food services		140,504	16,291	156,795	-	-	156,795
Student services		24,102	2,795	26,897	-	-	26,897
Office expense		10,429	2,922	13,351	41,638	9	54,998
Depreciation and amortization		118,237	10,995	129,232	-	-	129,232
Other expenses		-	-	-	22,119	-	22,119
Total Expenses		<u>\$ 4,230,255</u>	<u>\$ 906,421</u>	<u>\$ 5,136,676</u>	<u>\$ 420,406</u>	<u>\$ 1,999</u>	<u>\$ 5,559,081</u>

Capital Prep Charter Schools NY

Uniform Guidance
Schedules and Reports

June 30, 2022

Capital Prep Charter Schools NY

Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Pass-Through New York State Education Department:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	Not available	\$ -	\$ 84,143
National School Lunch Program	10.555	Not available	-	255,439
Total Child Nutrition Cluster			-	339,582
Total U.S. Department of Agriculture			-	339,582
U.S. Department of Education				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-22-5295	-	163,800
Title I Grants to Local Educational Agencies	84.010	0021-22-5640	-	69,524
			-	233,324
Charter Schools	84.282	0089--21-1026	-	71,032
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5295	-	26,765
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5640	-	15,986
			-	42,751
Student Support and Academic Enrichment Program	84.424	0204-22-5295	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-22-5640	-	10,000
			-	20,000
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-5295	-	22,081
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5295	-	149,392
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5640	-	11,284
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5295	-	511,679
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5640	-	145,263
			-	839,699
Total U.S. Department of Education			-	1,206,806
Total Expenditures of Federal Awards			\$ -	\$ 1,546,388

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, 2022

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, 2022. 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 identifying numbers are presented where 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") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 26, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 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 26, 2022

**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

Opinion on Each Major Federal Program

We have audited Capital Prep Charter Schools NY's (the "School") compliance with the types of compliance requirements identified as subject to audit 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, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Harrison, New York
October 26, 2022

Capital Prep Charter Schools NY

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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:

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund
84.425D	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II
84.425U	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

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, 2022.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance 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

There were no findings in the prior year.



**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, 2022, 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 26, 2022

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