

Democracy Prep New York Charter Schools

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

June 30, 2024 and 2023

Democracy Prep New York Charter Schools

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

June 30, 2024 and 2023

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Independent Auditors' Report

Board of Trustees
Democracy Prep New York Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Democracy Prep New York Charter Schools (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 present fairly, in all material respects, the financial position of Democracy Prep New York Charter Schools as of June 30, 2024 and 2023, 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 Democracy Prep New York Charter Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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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 Democracy Prep New York Charter Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Democracy Prep New York Charter Schools' ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2024 on pages 22 through 31 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 pages 32 through 33, 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 28, 2024, on our consideration of Democracy Prep New York Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Democracy Prep New York Charter Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Democracy Prep New York Charter Schools' internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 28, 2024

Democracy Prep New York Charter Schools

Statements of Financial Position

	June 30,	
	2024	2023
ASSETS		
Current Assets		
Cash	\$ 25,703,969	\$ 24,501,682
Investments	28,386,555	15,395,399
Grants and contracts receivable	2,237,018	7,877,240
Due from related parties, net	882,219	923,189
Prepaid expenses and other current assets	1,405,624	434,898
Total Current Assets	58,615,385	49,132,408
Prepaid expenses and other assets, less current portion	1,200,000	1,500,000
Property and equipment, net	18,972,440	19,861,670
Right of use assets - operating leases, net	123,435,533	129,853,543
Right of use assets - finance leases, net	176,327	909,994
Security deposits	2,824,268	3,025,816
Restricted cash	226,405	225,842
	\$ 205,450,358	\$ 204,509,273
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,032,265	\$ 1,774,544
Accrued payroll and payroll taxes	4,732,656	4,608,788
Operating lease liabilities	2,270,903	3,031,062
Finance lease liabilities	131,832	905,652
Refundable advances	2,981,894	2,835,316
Total Current Liabilities	12,149,550	13,155,362
Operating lease liabilities, less current portion	130,230,762	132,468,072
Finance lease liabilities, less current portion	71,707	210,286
Total Liabilities	142,452,019	145,833,720
Net Assets		
Without Donor Restrictions		
Undesignated	53,181,052	48,372,263
Board designated	989,123	989,123
Total Without Donor Restrictions	54,170,175	49,361,386
With donor restrictions	8,828,164	9,314,167
Total Net Assets	62,998,339	58,675,553
	\$ 205,450,358	\$ 204,509,273

See notes to financial statements

Democracy Prep New York Charter Schools

Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 68,192,472	\$ -	\$ 68,192,472
Students with disabilities	8,744,746	-	8,744,746
Facilities funding	5,355,058	-	5,355,058
Universal pre-kindergarten	493,489	-	493,489
Grants and Contracts			
Federal grants	2,487,770	-	2,487,770
Federal IDEA	959,543	-	959,543
State	301,617	-	301,617
Total Operating Revenue	<u>86,534,695</u>	<u>-</u>	<u>86,534,695</u>
EXPENSES			
Program Services			
Regular education	65,713,541	-	65,713,541
Special education	8,546,755	-	8,546,755
Total Program Services	74,260,296	-	74,260,296
Supporting Services			
Management and general	9,597,685	-	9,597,685
Fundraising	525,707	-	525,707
Total Expenses	<u>84,383,688</u>	<u>-</u>	<u>84,383,688</u>
Surplus from Operations	<u>2,151,007</u>	<u>-</u>	<u>2,151,007</u>
SUPPORT, OTHER REVENUE AND LOSSES			
Contributions	422,375	49,000	471,375
Rental income	632,511	-	632,511
Interest income	1,111,198	-	1,111,198
Other income	953	-	953
Loss on termination of leases	(44,258)	-	(44,258)
Net assets released from restrictions	49,000	(49,000)	-
Total Support, Other Revenue and Losses	<u>2,171,779</u>	<u>-</u>	<u>2,171,779</u>
Change in Net Assets Before Net Assets Released from Restriction			
Released from Restriction	4,322,786	-	4,322,786
Net assets released from restriction - amortization of interest in Friends' Building			
amortization of interest in Friends' Building	<u>486,003</u>	<u>(486,003)</u>	<u>-</u>
Change in Net Assets	4,808,789	(486,003)	4,322,786
NET ASSETS			
Beginning of year	<u>49,361,386</u>	<u>9,314,167</u>	<u>58,675,553</u>
End of year	<u>\$ 54,170,175</u>	<u>\$ 8,828,164</u>	<u>\$ 62,998,339</u>

See notes to financial statements

Democracy Prep New York Charter Schools

Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 66,401,821	\$ -	\$ 66,401,821
Students with disabilities	9,103,089	-	9,103,089
Facilities funding	4,541,887	-	4,541,887
Universal pre-kindergarten	413,894	-	413,894
Grants and Contracts			
Federal grants	21,929,169	-	21,929,169
Federal IDEA and E-Rate	983,492	-	983,492
State	240,262	-	240,262
Total Operating Revenue	103,613,614	-	103,613,614
EXPENSES			
Program Services			
Regular education	74,195,541	-	74,195,541
Special education	18,778,510	-	18,778,510
Total Program Services	92,974,051	-	92,974,051
Supporting Services			
Management and general	11,391,391	-	11,391,391
Fundraising	665,367	-	665,367
Total Expenses	105,030,809	-	105,030,809
(Deficit) from Operations	(1,417,195)	-	(1,417,195)
SUPPORT AND OTHER REVENUE			
Contributions	785,460	50,769	836,229
Rental income	602,372	-	602,372
Other income	597,611	-	597,611
Net assets released from restrictions	50,769	(50,769)	-
Total Support and Other Revenue	2,036,212	-	2,036,212
Change in Net Assets Before Net Assets			
Released from Restriction	619,017	-	619,017
Net assets released from restriction -			
amortization of interest in Friends' Building	486,003	(486,003)	-
Change in Net Assets	1,105,020	(486,003)	619,017
NET ASSETS			
Beginning of year	48,256,366	9,800,170	58,056,536
End of year	\$ 49,361,386	\$ 9,314,167	\$ 58,675,553

See notes to financial statements

Democracy Prep New York Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	100	\$ 4,691,404	\$ 1,005,301	\$ 5,696,705	\$ 4,417,039	\$ -	\$ 10,113,744
Instructional personnel	338	26,067,029	1,270,921	27,337,950	-	-	27,337,950
Non-instructional personnel	15	1,036,178	216,783	1,252,961	-	-	1,252,961
Total Personnel Services Costs	<u>453</u>	<u>31,794,611</u>	<u>2,493,005</u>	<u>34,287,616</u>	4,417,039	-	<u>38,704,655</u>
Fringe benefits and payroll taxes		5,270,958	344,422	5,615,380	787,254	-	6,402,634
Retirement		242,561	17,652	260,213	37,432	-	297,645
Management company fees		5,887,919	2,313,111	8,201,030	1,787,403	525,707	10,514,140
Legal services		-	-	-	87,073	-	87,073
Accounting/audit services		-	-	-	131,000	-	131,000
Other purchased/professional/consulting services		750,742	197,027	947,769	200,434	-	1,148,203
Occupancy		9,634,174	1,613,477	11,247,651	720,386	-	11,968,037
Repair and maintenance		2,709,983	201,284	2,911,267	385,816	-	3,297,083
Insurance		487,784	123,121	610,905	-	-	610,905
Utilities		522,223	34,538	556,761	80,487	-	637,248
Supplies/materials		1,264,708	324,542	1,589,250	-	-	1,589,250
Equipment/furnishings		14,424	4,131	18,555	-	-	18,555
Staff development		107,643	14,102	121,745	11,008	-	132,753
Marketing/recruitment		219,989	53,870	273,859	2,357	-	276,216
Technology		1,519,262	129,780	1,649,042	197,294	-	1,846,336
Student services		1,495,404	376,655	1,872,059	-	-	1,872,059
Office expense		624,948	44,751	669,699	190,246	-	859,945
Depreciation and amortization		2,626,458	194,887	2,821,345	377,699	-	3,199,044
Other		<u>152,702</u>	<u>36,979</u>	<u>189,681</u>	<u>115,223</u>	-	<u>304,904</u>
Total Expenses Before Amortization of Interest in Friends' Building		65,326,493	8,517,334	73,843,827	9,528,151	525,707	83,897,685
Amortization of interest in Friends' building		<u>387,048</u>	<u>29,421</u>	<u>416,469</u>	<u>69,534</u>	-	<u>486,003</u>
Total Expenses		<u>\$ 65,713,541</u>	<u>\$ 8,546,755</u>	<u>\$ 74,260,296</u>	<u>\$ 9,597,685</u>	<u>\$ 525,707</u>	<u>\$ 84,383,688</u>

See notes to financial statements

Democracy Prep New York Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	164	\$ 3,388,724	\$ 778,987	\$ 4,167,711	\$ 5,356,676	\$ -	\$ 9,524,387
Instructional personnel	401	30,011,687	6,656,653	36,668,340	-	-	36,668,340
Non-instructional personnel	31	1,989,744	852,748	2,842,492	-	-	2,842,492
Total Personnel Services Costs	<u>596</u>	<u>35,390,155</u>	<u>8,288,388</u>	<u>43,678,543</u>	<u>5,356,676</u>	<u>-</u>	<u>49,035,219</u>
Fringe benefits and payroll taxes		5,711,329	1,336,812	7,048,141	830,635	-	7,878,776
Retirement		759,294	178,245	937,539	115,645	-	1,053,184
Management company fees		7,441,702	2,923,526	10,365,228	2,259,088	664,439	13,288,755
Legal services		-	-	-	64,836	-	64,836
Accounting/audit services		-	-	-	162,476	-	162,476
Other purchased/professional/consulting services		462,093	115,648	577,741	199,008	-	776,749
Occupancy		8,890,030	2,128,353	11,018,383	614,530	-	11,632,913
Repair and maintenance		3,598,047	863,859	4,461,906	524,386	-	4,986,292
Insurance		506,894	130,374	637,268	-	-	637,268
Utilities		749,048	171,623	920,671	112,285	-	1,032,956
Supplies/materials		1,869,220	493,039	2,362,259	-	-	2,362,259
Equipment/furnishings		47,151	12,295	59,446	-	-	59,446
Staff development		176,765	40,210	216,975	24,693	-	241,668
Marketing/recruitment		62,564	16,913	79,477	1,191	-	80,668
Technology		1,685,725	399,123	2,084,848	209,282	-	2,294,130
Student services		3,007,744	759,997	3,767,741	-	-	3,767,741
Office expense		795,190	185,819	981,009	225,774	-	1,206,783
Depreciation and amortization		2,388,362	575,513	2,963,875	348,316	-	3,312,191
Other		304,306	76,152	380,458	289,110	928	670,496
Total Expenses Before Amortization of Interest in Friends' Building		<u>73,845,619</u>	<u>18,695,889</u>	<u>92,541,508</u>	<u>11,337,931</u>	<u>665,367</u>	<u>104,544,806</u>
Amortization of interest in Friends' building		<u>349,922</u>	<u>82,621</u>	<u>432,543</u>	<u>53,460</u>	<u>-</u>	<u>486,003</u>
Total Expenses		<u>\$ 74,195,541</u>	<u>\$ 18,778,510</u>	<u>\$ 92,974,051</u>	<u>\$ 11,391,391</u>	<u>\$ 665,367</u>	<u>\$ 105,030,809</u>

See notes to financial statements

Democracy Prep New York Charter Schools

Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,322,786	\$ 619,017
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,528,023	2,588,170
Loss on termination of leases	44,258	-
Amortization of right of use asset - operating leases	6,418,010	6,364,843
Amortization of right of use asset - finance leases	671,021	724,021
Amortization of interest in Friends' building	486,003	486,003
Changes in operating assets and liabilities		
Grants and contracts receivable	5,640,222	(1,431,240)
Due from related parties	40,970	435,255
Prepaid expenses and other current assets	(670,726)	401,086
Security deposits	201,548	178,260
Accounts payable and accrued expenses	257,721	(1,338,029)
Accrued payroll and payroll taxes	123,868	(1,725,665)
Operating lease liabilities	(2,997,469)	(2,633,969)
Refundable advances	146,578	(1,567,638)
Net Cash from Operating Activities	17,212,813	3,100,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,124,796)	(6,686,451)
Purchase of investments	(12,000,000)	-
Dividend and interest reinvested	(992,727)	(376,288)
Proceeds from sale of investments	1,571	809,350
Net Cash from Investing Activities	(15,115,952)	(6,253,389)
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments on finance lease liabilities	(894,011)	(841,586)
Net Change in Cash and Restricted Cash	1,202,850	(3,994,861)
CASH AND RESTRICTED CASH		
Beginning of year	24,727,524	28,722,385
End of Year	\$ 25,930,374	\$ 24,727,524
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 33,483	\$ 86,718
Cash paid for amounts included in the measurement of operating lease liabilities	7,545,352	6,863,560
Cash paid for amounts included in the measurement of finance lease liabilities	867,097	928,298

See notes to financial statements

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

1. Organization and Tax Status

Democracy Prep New York Charter Schools (the “School”) is a New York State, not-for-profit educational corporation that was incorporated to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School is dedicated to providing a high quality college preparatory education to primarily disadvantaged students. The School provided education to approximately 3,717 students in grades kindergarten through twelfth and the pre-kindergarten program provided education to 31 students during the 2023-2024 academic year.

The accompanying financial statements include the following charter schools collectively forming the School:

Bronx Preparatory Charter School (“BPCS”) – BPCS was granted a provisional charter on April 4, 2000 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 (“Board of Regents”).

Democracy Preparatory Charter School (“DPCS”) – DPCS was granted a provisional charter on December 9, 2005 valid for a term of five years and renewable upon expiration by the Board of Regents.

Democracy Preparatory Harlem Charter School (“DPH”) – DPH was granted a provisional charter on February 9, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents.

Harlem Preparatory Charter School (“HPCS”) – HPCS was granted a provisional charter on May 14, 2001, valid for a term of five years and renewable upon expiration by the Board of Regents.

Democracy Preparatory Endurance Charter School (“DPE”) – DPE was granted a provisional charter on July 16, 2012, valid for a term of five years and renewable upon expiration by the Board of Regents.

The Board of Regents approved and issued several renewals to all the Schools’ charters now expiring on July 31, 2029.

Effective July 1, 2017, DPCS, DPH and HPCS merged into a single legal entity under BPCS. BPCS was renamed Democracy Prep New York Charter Schools also effective July 1, 2017. DPCS, DPH and HPCS were dissolved and ceased to exist as separate legal entities in conjunction with the merger. The plan of merger was approved by the New York State Board of Regents on April 4, 2017.

Effective July 1, 2019, DPE merged into the School. DPE ceased to exist as a separate legal entity in conjunction with the merger. The plan of merger was approved by the New York State Board of Regents.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

1. Organization and Tax Status (*continued*)

Friends of Bronx Preparatory Charter School, Inc. (“Friends”) was organized under the laws of the State of New York on June 29, 1999 as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law. Friends was established to create a plan for a charter school in New York City, drafting an application for such a charter and making contributions to such a school and other tax-exempt organizations. The by-laws of Friends was amended, restated, and approved by the board of directors. Under the amended by-laws, Friends ceased to be controlled by the School effective July 1, 2014. Upon the School and Friends’ separation, a consolidation is no longer required and Friends’ net assets, except for the School’s interest in Friends’ building (see Note 5), were transferred out from the School’s financial statements. At July 1, 2014, \$1,792,958 of net assets was transferred to Friends from the separation of Friends from the School.

The New York City Department of Education (“NYCDOE”) provides transportation directly to some of the School’s students based on eligibility. In addition, the NYCDOE provides free lunch to all students. Such costs are not included in these financial statements.

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.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Net Asset Presentation

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

Net assets without donor restrictions - consist of resources available for the general support of the School’s operations. Net assets without donor restrictions may be used at the discretion of the School’s management and/or the Board of Trustees. Board designated net assets of \$989,123 were established to provide a reserve for unforeseen facility, personnel and other issues.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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

Net Asset Presentation (continued)

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 at June 30:

	2024	2023
Cash	\$ 25,703,969	\$ 24,501,682
Restricted cash	226,405	225,842
	<u>\$ 25,930,374</u>	<u>\$ 24,727,524</u>

Fair Value Measurements

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

Investments Valuation and Income Recognition

Money market funds are stated at fair value. Certificates of deposit are valued at the amounts deposited plus accrued interest, which approximate fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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 such assets are expensed as incurred.

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

Computers and equipment	3 and 5 years
Furniture and fixtures	7 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, 2024 and 2023.

Leases

The School accounts for leases under ASU No. 2016-02, *Leases*. The School determines if an arrangement is a lease at inception. Leases are included in ROU assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position.

Operating and finance lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. The School has made an accounting policy election to use a risk-free rate, determined using a period comparable with that of the lease term, to discount future lease payments. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the School's risk-free rate. Operating and finance lease cost is recognized on a straight-line basis over the lease term within occupancy expense in the accompanying statements of functional expenses. Lease and non-lease components lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease. When it is reasonably certain that the School will exercise that option, such amounts are included in the ROU assets and lease liabilities.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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

Refundable Advances

The School records certain government grants and contracts as refundable advances until the related services are performed, at which time it is recognized as revenue. At June 30, 2024 and 2023, the refundable advances balance includes a \$2,735,927 deposit from the Internal Revenue Service related to 2021 tax return. In September 2024, the School completed a 2021 amended return which will be filed in November 2024. The deposit will be returned in fiscal year 2025.

Revenue and Support

Revenue from state and local governments resulting from the School's charter status are based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency. Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruiting Costs

The School uses marketing and recruitment specifically aimed at hiring staff and enrolling new students. Accordingly, all costs in marketing and recruiting were allocated to program and management and general expenditures and expensed as incurred. For the years ended June 30, 2024 and 2023, marketing and recruiting costs totaled \$276,216 and \$80,668.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental sources that include contributions revenue, return on investments and other activities considered to be of a non-recurring nature.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses such as personnel services costs, fringe benefits and payroll taxes, occupancy and repair and maintenance 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.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2021.

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 28, 2024.

3. Investments

The School's investments at June 30, 2024 and 2023 consist of money market funds of \$0 and \$1,571, categorized as level 1 in fair value hierarchy and certificates of deposit totaling \$28,386,555 and \$15,393,828 held by a bank.

4. Grants and Contracts Receivable

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

5. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Computers and equipment	\$ 11,355,301	\$10,910,324
Furniture and fixtures	3,742,615	3,742,615
Leasehold improvements	17,815,646	16,135,827
Interest in Friends' Building (a)	<u>13,608,077</u>	<u>13,608,077</u>
	46,521,639	44,396,843
Accumulated depreciation and amortization	<u>(27,549,199)</u>	<u>(24,535,173)</u>
	<u>\$ 18,972,440</u>	<u>\$19,861,670</u>

Due to the adoption of FASB Topic 842, *Leases*, the School reclassified leased equipment with a cost basis of \$3,209,869 and accumulated depreciation of \$1,709,626 during the year ended June 30, 2023.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

5. Property and Equipment *(continued)*

(a) On July 1, 2014, the lease agreement between Friends' and BPCS, originally commenced in fiscal year 2007, was amended and restated. The amended and restated lease agreement expires on the earlier of: 1) the last day of the month of the 99th anniversary of the commencement date; 2) the termination for any reason of the management agreement between the School and Democracy Prep Public Schools ("DPPS", a related party) (see Note 7); or 3) revocation or nonrenewal of the BPCS charter.

The annual base rent equals an amount sufficient to pay Friends' reasonable and necessary actual, third party costs of owning the property (including, but not limited to, such costs arising from abatement or remediation of any hazardous or illegal condition not remedied by the School in accordance with and within the cure periods provided by this lease), plus Friends' reasonable and necessary operational and administrative expenses directly associated with the ownership of the property and compliance with this lease for such lease year. The base rent based on Friends' operating cost was \$146,782 and \$190,296 for the years ended June 30, 2024 and 2023.

Due to the estimated fair value rental over the estimated lease payment amount throughout the lease term being higher than the net book value of the building, the School recognizes its interest in Friends' building and amortizes its interest over the building's remaining useful life, which is approximately 28 years. The amortization expense for each of the years ended June 30, 2024 and 2023 was \$486,003. Interest in the School's building, net of accumulated amortization at June 30, 2024 and 2023 is \$8,775,093 and \$9,261,096 and is included in property and equipment in the accompanying statements of financial position.

6. 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:

	2024	2023
Cash	\$ 25,703,969	\$ 24,501,682
Investments	28,386,555	15,395,399
Grants and contracts receivable	2,237,018	7,877,240
Due from related parties	882,219	923,189
Total Financial Assets	57,209,761	48,697,510
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions (net of \$8,775,093		
and \$9,261,096 Interest in Friends' Building - see Note 5)	(53,071)	(53,071)
Board designated net assets	(989,123)	(989,123)
	\$ 56,167,567	\$ 47,655,316

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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

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

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

The School is an affiliate of Democracy Prep Public Schools ("DPPS"), a New York State not-for-profit charter management organization, which provides management services to the School. DPPS provides similar management services to Democracy Prep Texas ("DPT"), a Texas not-for-profit organization, Democracy Prep Baton Rouge ("DPBR"), a Louisiana not-for-profit organization, and Democracy Prep Agassi Campus ("DPAC"), a Nevada not-for-profit organization.

The predecessors of the School (BPCS, DPCS, DPH, HPCS, DPE) entered into management agreements with DPPS to assume responsibility for their educational process, management and operations. As compensation to DPPS for these services rendered, the School pays DPPS an annual fee, originally equal to 12% to 15% of each predecessor's non-competitive public revenue, which percentage decreases by one-half percent (0.5%) in each renewal term until it reaches a minimum of 12% of non-competitive public revenue, which rate will remain in effect for all subsequent renewal terms. Following the initial term, the agreements (now consolidated into a single agreement with the School) automatically extended for successive one-year periods unless terminated by either party. For the years ended June 30, 2024 and 2023, DPPS charged an annual management fee of 13% to the School.

For the years ended June 30, 2024 and 2023, the School incurred \$10,514,140 and \$13,288,755 in management fees.

On September 20, 2016, HPCS and DPE entered into two operating leases with DPPS for additional office and instructional space expiring on August 30, 2047. During the year ended June 30, 2019, HPCS prepaid \$2,000,000 and DPE prepaid \$1,000,000 of base rent. The School is entitled to a monthly credit of \$25,000 starting July 1, 2019. This prepayment is included in the statements of financial position under current and long-term prepaid expenses and other assets. On July 1, 2022, the School and DPPS signed a revised and amended sublease under new terms and conditions expiring on June 30, 2047 (see Note 11).

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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

For operational efficiency and purchasing power, the School shares expenses with the related charter schools and DPPS. The balance of due (to) from related parties consists of the following at June 30:

	2024	2023
DPPS	\$ 831,231	\$ 278,918
DPAC	184,009	347,142
DPT	17,993	89,793
Friends'	(151,014)	(5,181)
DPBR	-	212,517
	<u>\$ 882,219</u>	<u>\$ 923,189</u>

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash including certificates of deposits on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. Investment in money market funds are maintained at a broker, which insures up to \$500,000 with Securities Investor Protection Corporation Insurance ("SIPCI"). The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2024 and 2023, approximately \$25,486,000 and \$24,434,000 of cash was maintained with two institutions in excess of FDIC and SIPCI limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2024 and 2023, the School received approximately 95% and 77% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2024	2023
Korean dual language program	\$ 51,866	\$ 51,866
Field trips and classroom incentives	1,205	1,205
Interest in Friends' building (Note 5)	8,775,093	9,261,096
	<u>\$ 8,828,164</u>	<u>\$ 9,314,167</u>

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

10. Net Assets With Donor Restrictions (*continued*)

Net assets were released from donor restrictions by satisfying the purpose specified by the donors as follows for years ended June 30:

	2024	2023
Korean dual language program	\$ 49,000	\$ 50,769
Interest in Friends' building (Note 5)	486,003	486,003
	<u>\$ 535,003</u>	<u>\$ 536,772</u>

11. Commitments

Facility leases

On October 1, 2007, as amended in December 2015, DPCS entered into a triple-net sublease agreement with Civic Builders Property Holding Corp. ("Sub-landlord") for new facilities at St. Philips Church (207 West 133rd Street). DPCS also entered into license agreements for the use of the undercroft, the elevator and additional classroom space. On August 25, 2008, DPCS occupied the space. The sublease provides that DPCS pay a monthly base rent plus triple-net charges for DPCS' share of expenses related to the leased property. The term of the sublease is twenty-two years from the commencement date.

Effective July 1, 2012, DPCS entered into a sub-sublease agreement with DPH for use of office and classroom facilities at St. Philips Church. The rent payments are based on a fraction, determined annually for each rent year and expressed as a percentage, the numerator of which is the number of students of DPH during the rent year, and the denominator of which is the aggregate number of students at both DPCS and DPH during the rent year. The number of students is determined by the New York City Department of Education as of the end of the rent year for purposes of reconciling school funding allocations. DPH is also responsible for utilities and other building costs. The term shall end on the earlier of December 31, 2029, or the date on which the sublease agreement is terminated. Rental income was \$632,511 and \$602,372 for the years ended June 30, 2024 and 2023. The School does not disclose the minimum future rent to be received due to the undetermined number of future students served, and merger of the two entities.

On July 1, 2022, the School and DPPS signed a revised and amended sublease agreement under new terms and conditions expiring on June 30, 2047 (see Note 7). This sublease is for HPCS and DPE for additional classroom facilities at 230 East 123rd Street, New York, NY.

On December 17, 2020, the School entered into a sub-lease agreement with Friends for the space located at 1000 Westchester Avenue, Bronx, New York. The lease term is scheduled to start on July 1, 2024 and will expire on June 30, 2058.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

11. Commitments *(continued)*

Facility leases (continued)

On April 29, 2022, the School entered into a lease agreement with Neumont Management Corporation for the office space located at 101 & 115 West 116th Street, New York. The lease term started on May 1, 2022 and will expire on July 31, 2025.

Equipment leases

The School leases computers and equipment under non-cancelable lease agreements expiring at various dates through November 2027.

ROU assets consist of the following at June 30, 2024:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Right of use assets	\$ 136,218,386	1,634,015
Less: accumulated amortization	(12,782,853)	(1,457,688)
	<u>\$ 123,435,533</u>	<u>\$ 176,327</u>

Weighted average remaining lease term

Operating leases 22.49 years

Finance leases 1.88 years

Weighted average discount rate

Operating leases 3.11%

Finance leases 5.07%

ROU assets consist of the following at June 30, 2023:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Right of use assets	\$ 136,218,386	1,634,015
Less: accumulated amortization	(6,364,843)	(724,021)
	<u>\$ 129,853,543</u>	<u>\$ 909,994</u>

Weighted average remaining lease term

Operating leases 23.10 years

Finance leases 1.52 years

Weighted average discount rate

Operating leases 3.11%

Finance leases 5.78%

Democracy Prep New York Charter Schools

Notes to Financial Statements June 30, 2024 and 2023

11. Commitments (*continued*)

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

	Operating Leases	Finance Leases
2025	\$ 6,339,842	\$ 128,764
2026	5,491,386	31,236
2027	5,656,421	31,236
2028	5,922,270	13,015
2029	6,201,136	-
Thereafter	166,203,005	-
Total minimum lease payments	195,814,060	204,251
Present value discount	(63,312,395)	(712)
Present value of lease liabilities	132,501,665	203,539
Current portion	(2,270,903)	(131,832)
Lease liabilities, less current portion	\$ 130,230,762	\$ 71,707

Occupancy expense for the years ended June 30, 2024 and 2023 was \$11,968,037 and \$11,632,913.

For the years ended June 30, 2024 and 2023, interest expense was \$33,483 and \$86,718, and included in the other expenses in the accompanying statements of functional expenses.

For the year ended June 30, 2024, loss on termination of leases was \$44,258.

12. Employee Benefit Plan

The School maintains a retirement plan qualified under Internal Revenue Code Section 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 10% of the participant's annual compensation. Employer match for the years ended June 30, 2024 and 2023 amounted to \$1,302,062 and \$1,053,184.

13. 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.

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Democracy Prep New York Charter Schools

Supplementary Information

June 30, 2024

Democracy Prep New York Charter Schools

Schedule of Activities
Bronx Preparatory Charter School
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 15,631,439	\$ -	\$ 15,631,439
Students with disabilities	1,331,758	-	1,331,758
Grants and Contracts			
Federal grants	627,999	-	627,999
Federal IDEA	174,428	-	174,428
State	68,587	-	68,587
Total Operating Revenue	17,834,211	-	17,834,211
EXPENSES			
Program Services			
Regular education	13,271,180	-	13,271,180
Special education	1,530,019	-	1,530,019
Total Program Services	14,801,199	-	14,801,199
Supporting Services			
Management and general	2,493,030	-	2,493,030
Fundraising	115,477	-	115,477
Total Expenses	17,409,706	-	17,409,706
Surplus from Operations	424,505	-	424,505
SUPPORT, OTHER REVENUE AND LOSSES			
Contributions	67,390	12,000	79,390
Interest income	1,111,198	-	1,111,198
Other income	611	-	611
Loss on termination of leases	(10,149)	-	(10,149)
Net assets released from restrictions	12,000	(12,000)	-
Total Support, Other Revenue and Losses	1,181,050	-	1,181,050
Change in Net Assets Before Net Assets Released from Restriction	1,605,555	-	1,605,555
Net assets released from restriction - amortization of interest in Friends' Building	486,003	(486,003)	-
Change in Net Assets	2,091,558	(486,003)	1,605,555
NET ASSETS			
Beginning of year	2,981,905	9,258,554	12,240,459
End of year	\$ 5,073,463	\$ 8,772,551	\$ 13,846,014

Democracy Prep New York Charter Schools

Schedule of Activities
Democracy Preparatory Charter School
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 10,375,757	\$ -	\$ 10,375,757
Students with disabilities	1,058,978	-	1,058,978
Grants and Contracts			
Federal grants	362,230	-	362,230
Federal IDEA	134,001	-	134,001
State	46,599	-	46,599
Total Operating Revenue	<u>11,977,565</u>	<u>-</u>	<u>11,977,565</u>
EXPENSES			
Program Services			
Regular education	8,887,234	-	8,887,234
Special education	1,010,208	-	1,010,208
Total Program Services	<u>9,897,442</u>	<u>-</u>	<u>9,897,442</u>
Supporting Services			
Management and general	1,303,614	-	1,303,614
Fundraising	77,551	-	77,551
Total Expenses	<u>11,278,607</u>	<u>-</u>	<u>11,278,607</u>
Surplus from Operations	<u>698,958</u>	<u>-</u>	<u>698,958</u>
SUPPORT, OTHER REVENUE AND GAINS			
Contributions	40,853	10,000	50,853
Rental income	632,511	-	632,511
Gain on termination of leases	16,140	-	16,140
Net assets released from restrictions	10,000	(10,000)	-
Total Support, Other Revenue and Gains	<u>699,504</u>	<u>-</u>	<u>699,504</u>
Change in Net Assets	1,398,462	-	1,398,462
NET ASSETS			
Beginning of year	<u>10,497,753</u>	<u>21,857</u>	<u>10,519,610</u>
End of year	<u>\$ 11,896,215</u>	<u>\$ 21,857</u>	<u>\$ 11,918,072</u>

Democracy Prep New York Charter Schools

Schedule of Activities
Democracy Preparatory Harlem Charter School
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 17,474,938	\$ -	\$ 17,474,938
Students with disabilities	3,011,268	-	3,011,268
Grants and Contracts			
Federal grants	564,838	-	564,838
Federal IDEA	316,798	-	316,798
State	<u>78,863</u>	<u>-</u>	<u>78,863</u>
Total Operating Revenue	<u>21,446,705</u>	<u>-</u>	<u>21,446,705</u>
EXPENSES			
Program Services			
Regular education	14,056,470	-	14,056,470
Special education	<u>2,053,390</u>	<u>-</u>	<u>2,053,390</u>
Total Program Services	16,109,860	-	16,109,860
Supporting Services			
Management and general	1,645,304	-	1,645,304
Fundraising	<u>138,891</u>	<u>-</u>	<u>138,891</u>
Total Expenses	<u>17,894,055</u>	<u>-</u>	<u>17,894,055</u>
Surplus from Operations	<u>3,552,650</u>	<u>-</u>	<u>3,552,650</u>
SUPPORT, OTHER REVENUE AND GAINS			
Contributions	145,024	11,000	156,024
Gain on termination of leases	2,933	-	2,933
Other income	342	-	342
Net assets released from restrictions	<u>11,000</u>	<u>(11,000)</u>	<u>-</u>
Total Support, Other Revenue and Gains	<u>159,299</u>	<u>-</u>	<u>159,299</u>
Change in Net Assets	3,711,949	-	3,711,949
NET ASSETS			
Beginning of year	<u>22,010,310</u>	<u>15,190</u>	<u>22,025,500</u>
End of year	<u>\$ 25,722,259</u>	<u>\$ 15,190</u>	<u>\$ 25,737,449</u>

Democracy Prep New York Charter Schools

Schedule of Activities
Harlem Preparatory Charter School
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 13,466,136	\$ -	\$ 13,466,136
Students with disabilities	2,134,721	-	2,134,721
Facilities funding	2,016,225	-	2,016,225
Grants and Contracts			
Federal grants	530,902	-	530,902
Federal IDEA	175,068	-	175,068
State	57,842	-	57,842
Total Operating Revenue	<u>18,380,894</u>	<u>-</u>	<u>18,380,894</u>
EXPENSES			
Program Services			
Regular education	15,357,173	-	15,357,173
Special education	2,271,232	-	2,271,232
Total Program Services	17,628,405	-	17,628,405
Supporting Services			
Management and general	2,427,445	-	2,427,445
Fundraising	105,994	-	105,994
Total Expenses	<u>20,161,844</u>	<u>-</u>	<u>20,161,844</u>
Deficit from Operations	<u>(1,780,950)</u>	<u>-</u>	<u>(1,780,950)</u>
SUPPORT, OTHER REVENUE AND GAINS			
Contributions	123,319	10,000	133,319
Gain on termination of leases	2,933	-	2,933
Net assets released from restrictions	10,000	(10,000)	-
Total Support, Other Revenue and Gains	<u>136,252</u>	<u>-</u>	<u>136,252</u>
 Change in Net Assets	 (1,644,698)	 -	 (1,644,698)
NET ASSETS			
Beginning of year	<u>7,769,595</u>	<u>7,500</u>	<u>7,777,095</u>
 End of year	 <u>\$ 6,124,897</u>	 <u>\$ 7,500</u>	 <u>\$ 6,132,397</u>

Democracy Prep New York Charter Schools

Schedule of Activities
Democracy Preparatory Endurance Charter School
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 11,244,202	\$ -	\$ 11,244,202
Students with disabilities	1,208,021	-	1,208,021
Facilities funding	3,338,833	-	3,338,833
Universal pre-kindergarten	493,489	-	493,489
Grants and Contracts			
Federal grants	401,801	-	401,801
Federal IDEA	159,248	-	159,248
State	49,726	-	49,726
Total Operating Revenue	<u>16,895,320</u>	<u>-</u>	<u>16,895,320</u>
EXPENSES			
Program Services			
Regular education	14,141,484	-	14,141,484
Special education	1,681,906	-	1,681,906
Total Program Services	<u>15,823,390</u>	<u>-</u>	<u>15,823,390</u>
Supporting Services			
Management and general	1,728,292	-	1,728,292
Fundraising	87,794	-	87,794
Total Expenses	<u>17,639,476</u>	<u>-</u>	<u>17,639,476</u>
Deficit from Operations	<u>(744,156)</u>	<u>-</u>	<u>(744,156)</u>
SUPPORT, OTHER REVENUE AND LOSSES			
Contributions	45,789	6,000	51,789
Loss on termination of leases	(56,115)		(56,115)
Net assets released from restrictions	<u>6,000</u>	<u>(6,000)</u>	<u>-</u>
Total Support, Other Revenue and Losses	<u>(4,326)</u>	<u>-</u>	<u>(4,326)</u>
Change in Net Assets	(748,482)	-	(748,482)
NET ASSETS			
Beginning of year	<u>6,112,889</u>	<u>-</u>	<u>6,112,889</u>
End of year	<u>\$ 5,364,407</u>	<u>\$ -</u>	<u>\$ 5,364,407</u>

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Bronx Preparatory Charter School
Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	28	\$ 1,195,498	\$ 256,178	\$ 1,451,676	\$ 1,321,849	\$ -	\$ 2,773,525
Instructional personnel	73	5,649,275	212,909	5,862,184	-	-	5,862,184
Non-instructional personnel	10	704,456	123,650	828,106	-	-	828,106
Total Personnel Services Costs	<u>111</u>	<u>7,549,229</u>	<u>592,737</u>	<u>8,141,966</u>	1,321,849	-	9,463,815
Fringe benefits and payroll taxes		1,147,063	81,329	1,228,392	216,745	-	1,445,137
Retirement		109,526	8,325	117,851	19,677	-	137,528
Management company fees		1,293,337	508,097	1,801,434	392,620	115,477	2,309,531
Legal services		-	-	-	17,425	-	17,425
Accounting/audit services		-	-	-	27,995	-	27,995
Other purchased/professional/consulting services		165,123	28,849	193,972	16,971	-	210,943
Occupancy		55,349	4,207	59,556	9,944	-	69,500
Repair and maintenance		689,796	52,733	742,529	123,378	-	865,907
Insurance		115,138	20,116	135,254	-	-	135,254
Utilities		108,744	8,266	117,010	19,536	-	136,546
Supplies/materials		287,568	50,242	337,810	-	-	337,810
Equipment/furnishings		119	21	140	-	-	140
Staff development		14,774	1,515	16,289	1,887	-	18,176
Marketing/recruitment		42,681	7,025	49,706	787	-	50,493
Technology		243,473	20,438	263,911	40,226	-	304,137
Student services		337,964	59,047	397,011	-	-	397,011
Office expense		106,636	8,106	114,742	75,151	-	189,893
Depreciation and amortization		589,867	44,837	634,704	105,972	-	740,676
Other		<u>27,745</u>	<u>4,708</u>	<u>32,453</u>	<u>33,333</u>	<u>-</u>	<u>65,786</u>
Total Expenses Before Amortization of Interest in Friends' Building		12,884,132	1,500,598	14,384,730	2,423,496	115,477	16,923,703
Amortization of interest in Friends' building		<u>387,048</u>	<u>29,421</u>	<u>416,469</u>	<u>69,534</u>	<u>-</u>	<u>486,003</u>
Total Expenses		<u>\$ 13,271,180</u>	<u>\$ 1,530,019</u>	<u>\$ 14,801,199</u>	<u>\$ 2,493,030</u>	<u>\$ 115,477</u>	<u>\$ 17,409,706</u>

See independent auditors' report

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Democracy Preparatory Charter School
Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	16	\$ 643,802	\$ 137,958	\$ 781,760	\$ 684,908	\$ -	\$ 1,466,668
Instructional personnel	51	4,029,251	141,122	4,170,373	-	-	4,170,373
Non-instructional personnel	1	68,174	14,229	82,403	-	-	82,403
Total Personnel Services Costs	<u>68</u>	<u>4,741,227</u>	<u>293,309</u>	<u>5,034,536</u>	<u>684,908</u>	<u>-</u>	<u>5,719,444</u>
Fringe benefits and payroll taxes		765,450	35,777	801,227	121,963	-	923,190
Retirement		20,013	1,146	21,159	2,982	-	24,141
Management company fees		868,574	341,226	1,209,800	263,674	77,551	1,551,025
Legal services		-	-	-	5,611	-	5,611
Accounting/audit services		-	-	-	21,700	-	21,700
Other purchased/professional/consulting services		106,105	22,146	128,251	10,007	-	138,258
Occupancy		614,142	124,806	738,948	3,319	-	742,267
Repair and maintenance		234,162	13,409	247,571	34,886	-	282,457
Insurance		86,785	18,113	104,898	-	-	104,898
Utilities		255,150	14,611	269,761	38,013	-	307,774
Supplies/materials		166,849	34,824	201,673	-	-	201,673
Staff development		26,311	1,535	27,846	3,891	-	31,737
Marketing/recruitment		43,849	9,152	53,001	-	-	53,001
Technology		234,116	15,159	249,275	33,155	-	282,430
Student services		266,490	55,621	322,111	-	-	322,111
Office expense		158,278	9,064	167,342	29,813	-	197,155
Depreciation and amortization		278,554	15,951	294,505	41,500	-	336,005
Other		21,179	4,359	25,538	8,192	-	33,730
Total Expenses		<u>\$ 8,887,234</u>	<u>\$ 1,010,208</u>	<u>\$ 9,897,442</u>	<u>\$ 1,303,614</u>	<u>\$ 77,551</u>	<u>\$ 11,278,607</u>

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Democracy Preparatory Harlem Charter School
Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	20	\$ 1,035,343	\$ 221,859	\$ 1,257,202	\$ 752,393	\$ -	\$ 2,009,595
Instructional personnel	85	6,590,470	402,545	6,993,015	-	-	6,993,015
Non-instructional personnel	2	141,047	47,834	188,881	-	-	188,881
Total Personnel Services Costs	<u>107</u>	<u>7,766,860</u>	<u>672,238</u>	<u>8,439,098</u>	752,393	-	9,191,491
Fringe benefits and payroll taxes		1,267,974	94,034	1,362,008	128,857	-	1,490,865
Retirement		15,501	1,224	16,725	1,547	-	18,272
Management company fees		1,555,579	611,120	2,166,699	472,229	138,891	2,777,819
Legal services		-	-	-	22,789	-	22,789
Accounting/audit services		-	-	-	32,777	-	32,777
Other purchased/professional/consulting services		174,789	59,277	234,066	26,442	-	260,508
Occupancy		472,328	160,183	632,511	-	-	632,511
Repair and maintenance		685,353	54,110	739,463	68,389	-	807,852
Insurance		117,210	39,750	156,960	-	-	156,960
Supplies/materials		331,506	112,425	443,931	-	-	443,931
Equipment/furnishings		6,725	2,281	9,006	-	-	9,006
Staff development		34,736	5,827	40,563	2,283	-	42,846
Marketing/recruitment		53,622	17,688	71,310	191	-	71,501
Technology		409,929	40,704	450,633	37,707	-	488,340
Student services		316,952	107,489	424,441	-	-	424,441
Office expense		163,734	12,927	176,661	26,142	-	202,803
Depreciation and amortization		648,035	51,162	699,197	64,666	-	763,863
Other		35,637	10,951	46,588	8,892	-	55,480
Total Expenses		<u>\$ 14,056,470</u>	<u>\$ 2,053,390</u>	<u>\$ 16,109,860</u>	<u>\$ 1,645,304</u>	<u>\$ 138,891</u>	<u>\$ 17,894,055</u>

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Harlem Preparatory Charter School
Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	19	\$ 1,090,509	\$ 233,681	\$ 1,324,190	\$ 981,114	\$ -	\$ 2,305,304
Instructional personnel	67	4,996,695	276,135	5,272,830	-	-	5,272,830
Non-instructional personnel	1	38,635	12,377	51,012	-	-	51,012
Total Personnel Services Costs	<u>87</u>	<u>6,125,839</u>	<u>522,193</u>	<u>6,648,032</u>	<u>981,114</u>	<u>-</u>	<u>7,629,146</u>
Fringe benefits and payroll taxes		1,085,765	69,865	1,155,630	190,083	-	1,345,713
Retirement		26,721	2,101	28,822	4,406	-	33,228
Management company fees		1,187,137	466,375	1,653,512	360,381	105,994	2,119,887
Legal services		-	-	-	29,372	-	29,372
Accounting/audit services		-	-	-	25,993	-	25,993
Other purchased/professional/consulting services		216,839	67,166	284,005	133,716	-	417,721
Occupancy		4,252,040	783,589	5,035,629	380,580	-	5,416,209
Repair and maintenance		547,600	43,095	590,695	90,261	-	680,956
Insurance		86,933	26,928	113,861	-	-	113,861
Utilities		79,725	6,269	85,994	13,145	-	99,139
Supplies/materials		234,102	72,513	306,615	-	-	306,615
Equipment/furnishings		1,597	495	2,092	-	-	2,092
Staff development		25,440	4,212	29,652	2,617	-	32,269
Marketing/recruitment		47,704	12,843	60,547	1,379	-	61,926
Technology		315,475	29,333	344,808	48,785	-	393,593
Student services		305,773	94,713	400,486	-	-	400,486
Office expense		118,407	9,311	127,718	33,087	-	160,805
Depreciation and amortization		676,942	53,232	730,174	111,610	-	841,784
Other		23,134	6,999	30,133	20,916	-	51,049
Total Expenses		<u>\$ 15,357,173</u>	<u>\$ 2,271,232</u>	<u>\$ 17,628,405</u>	<u>\$ 2,427,445</u>	<u>\$ 105,994</u>	<u>\$ 20,161,844</u>

Democracy Prep New York Charter Schools

Schedule of Functional Expenses
Democracy Preparatory Endurance Charter School
Year Ended June 30, 2024

	No. of Positions	Program Services			Management and	Fundraising	Total
		Regular Education	Special Education	Total	General		
Personnel Services Costs							
Administrative staff personnel	17	\$ 726,252	\$ 155,625	\$ 881,877	\$ 676,775	\$ -	\$ 1,558,652
Instructional personnel	62	4,801,338	238,210	5,039,548	-	-	5,039,548
Non-instructional personnel	1	83,866	18,693	102,559	-	-	102,559
Total Personnel Services Costs	<u>80</u>	<u>5,611,456</u>	<u>412,528</u>	<u>6,023,984</u>	676,775	-	6,700,759
Fringe benefits and payroll taxes		1,004,706	63,417	1,068,123	129,606	-	1,197,729
Retirement		70,800	4,856	75,656	8,820	-	84,476
Management company fees		983,292	386,293	1,369,585	298,499	87,794	1,755,878
Legal services		-	-	-	11,876	-	11,876
Accounting/audit services		-	-	-	22,535	-	22,535
Other purchased/professional/consulting services		87,886	19,589	107,475	13,298	-	120,773
Occupancy		4,240,315	540,692	4,781,007	326,543	-	5,107,550
Repair and maintenance		553,072	37,937	591,009	68,902	-	659,911
Insurance		81,718	18,214	99,932	-	-	99,932
Utilities		78,604	5,392	83,996	9,793	-	93,789
Supplies/materials		244,683	54,538	299,221	-	-	299,221
Equipment/furnishings		5,983	1,334	7,317	-	-	7,317
Staff development		6,382	1,013	7,395	330	-	7,725
Marketing/recruitment		32,133	7,162	39,295	-	-	39,295
Technology		316,269	24,146	340,415	37,421	-	377,836
Student services		268,225	59,785	328,010	-	-	328,010
Office expense		77,893	5,343	83,236	26,053	-	109,289
Depreciation and amortization		433,060	29,705	462,765	53,951	-	516,716
Other		45,007	9,962	54,969	43,890	-	98,859
Total Expenses		<u>\$ 14,141,484</u>	<u>\$ 1,681,906</u>	<u>\$ 15,823,390</u>	<u>\$ 1,728,292</u>	<u>\$ 87,794</u>	<u>\$ 17,639,476</u>

Democracy Prep New York Charter Schools

Uniform Guidance
Schedules and Reports

June 30, 2024

Democracy Prep New York Charter Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

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 Education				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-23-4002	\$ -	\$ 37,757
Title I Grants to Local Educational Agencies	84.010	0021-23-4125	-	51,744
Title I Grants to Local Educational Agencies	84.010	0021-23-4349	-	28,743
Title I Grants to Local Educational Agencies	84.010	0021-23-4685	-	41,261
Title I Grants to Local Educational Agencies	84.010	0021-23-4220	-	54,939
Title I Grants to Local Educational Agencies	84.010	0021-24-4002	-	264,745
Title I Grants to Local Educational Agencies	84.010	0021-24-4125	-	439,021
Title I Grants to Local Educational Agencies	84.010	0021-24-4349	-	246,841
Title I Grants to Local Educational Agencies	84.010	0021-24-4685	-	377,505
Title I Grants to Local Educational Agencies	84.010	0021-24-4220	-	346,675
			<u>-</u>	<u>1,889,231</u>
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4002	-	2,831
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4125	-	5,735
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4349	-	2,742
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4685	-	2,742
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4220	-	5,585
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-24-4002	-	41,279
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-24-4125	-	44,246
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-24-4349	-	24,839
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-24-4685	-	29,985
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-24-4220	-	50,259
			<u>-</u>	<u>210,243</u>
Student Support and Academic Enrichment Program	84.424	0204-23-4002	-	1,334
Student Support and Academic Enrichment Program	84.424	0204-23-4125	-	1,392
Student Support and Academic Enrichment Program	84.424	0204-23-4349	-	3,940
Student Support and Academic Enrichment Program	84.424	0204-23-4685	-	3,832
Student Support and Academic Enrichment Program	84.424	0204-23-4220	-	6,716
Student Support and Academic Enrichment Program	84.424	0204-24-4002	-	30,787
Student Support and Academic Enrichment Program	84.424	0204-24-4125	-	25,688
Student Support and Academic Enrichment Program	84.424	0204-24-4349	-	19,813
Student Support and Academic Enrichment Program	84.424	0204-24-4685	-	21,932
Student Support and Academic Enrichment Program	84.424	0204-24-4220	-	34,228
			<u>-</u>	<u>149,662</u>

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

Democracy Prep New York Charter Schools

Schedule of Expenditures of Federal Awards *(continued)* Year Ended June 30, 2024

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 Education <i>(continued)</i>				
English Language Acquisition State Grants	84.365	0293-23-4002	\$ -	\$ 1,598
English Language Acquisition State Grants	84.365	0293-23-4125	-	2,233
English Language Acquisition State Grants	84.365	0293-23-4349	-	1,882
English Language Acquisition State Grants	84.365	0293-23-4685	-	1,675
English Language Acquisition State Grants	84.365	0293-23-4220	-	2,770
English Language Acquisition State Grants	84.365	0293-24-4002	-	6,242
English Language Acquisition State Grants	84.365	0293-24-4125	-	10,196
English Language Acquisition State Grants	84.365	0293-24-4349	-	5,474
English Language Acquisition State Grants	84.365	0293-24-4685	-	7,273
English Language Acquisition State Grants	84.365	0293-24-4220	-	7,886
			<u>-</u>	<u>47,229</u>
Special Education Cluster (IDEA)-Cluster				
Pass-Through New York State Education Department:				
COVID-19 - Special Education Grants to States	84.027	not available	-	191,405
Total U.S. Department of Education			<u>-</u>	<u>2,487,770</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,487,770</u>

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

Democracy Prep New York Charter Schools

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Democracy Prep New York Charter Schools (the "School"), under programs of the federal government for the year ended June 30, 2024. 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.

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
Democracy Prep New York Charter Schools**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Democracy Prep New York Charter Schools (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 28, 2024.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

PKF O'Connor Davies, LLP

Harrison, New York
October 28, 2024

**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
Democracy Prep New York Charter Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Democracy Prep New York Charter Schools' (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, 2024. 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, 2024.

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 28, 2024

Democracy Prep New York Charter Schools

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

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:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

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

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2024.

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.