

**EARL MONROE NEW RENAISSANCE BASKETBALL
CHARTER SCHOOL**

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2024

(With Comparative Totals for 2023)



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Earl Monroe New Renaissance Basketball Charter School

Opinion

We have audited the accompanying financial statements of Earl Monroe New Renaissance Basketball Charter School, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Earl Monroe New Renaissance Basketball Charter School as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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 Earl Monroe New Renaissance Basketball Charter School's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

We have previously audited Earl Monroe New Renaissance Basketball Charter School's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2024 on our consideration of Earl Monroe New Renaissance Basketball Charter 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 Earl Monroe New Renaissance Basketball Charter 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 Earl Monroe New Renaissance Basketball Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 14, 2024

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

(With Comparative Totals for 2023)

	June 30,	
<u>ASSETS</u>	2024	2023
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 736,678	\$ 440,894
Grants and other receivables	275,140	125,672
Pledges receivable - current portion	183,500	303,500
Prepaid expenses	87,251	122,934
Due from related party	120,531	65,758
TOTAL CURRENT ASSETS	1,403,100	1,058,758
<u>PROPERTY AND EQUIPMENT</u>	572,159	673,538
<u>OTHER ASSETS</u>		
Right-of-use assets - operating	60,300	1,529,185
Pledges receivable, net of current portion	26,460	109,800
Security deposit	156,667	156,667
Cash in escrow	75,026	75,011
	318,453	1,870,663
TOTAL ASSETS	\$ 2,293,712	\$ 3,602,959
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 178,288	\$ 194,175
Current portion of lease liabilities - operating	24,837	1,698,399
Accrued payroll and benefits	300,618	183,616
Due to related party	-	261,182
TOTAL CURRENT LIABILITIES	503,743	2,337,372
<u>LONG-TERM LEASE LIABILITIES - OPERATING</u>	36,283	14,040
TOTAL LIABILITIES	540,026	2,351,412
<u>NET ASSETS</u>		
Without donor restrictions	1,642,364	868,245
With donor restrictions	111,322	383,302
TOTAL NET ASSETS	1,753,686	1,251,547
TOTAL LIABILITIES AND NET ASSETS	\$ 2,293,712	\$ 3,602,959

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

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

	Year ended June 30, 2024			Year ended June 30, 2023
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, gains and other support:				
Public school district				
Resident student enrollment	\$ 5,877,053	\$ -	\$ 5,877,053	\$ 3,804,572
Students with disabilities	711,715	-	711,715	436,380
Grants and contracts				
State and local	10,656	-	10,656	23,830
Federal - Title and IDEA	304,588	-	304,588	174,111
Federal - Other	76,917	-	76,917	293,857
Food service/Child nutrition program	8,433	-	8,433	105,529
NYC DoE rental assistance	<u>1,698,510</u>	<u>-</u>	<u>1,698,510</u>	<u>1,141,372</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	8,687,872	-	8,687,872	5,979,651
Expenses:				
Program services:				
Regular education	5,328,888	-	5,328,888	4,354,590
Special education	<u>2,328,579</u>	<u>-</u>	<u>2,328,579</u>	<u>1,785,300</u>
TOTAL PROGRAM SERVICES	7,657,467	-	7,657,467	6,139,890
Management and general	<u>1,956,899</u>	<u>-</u>	<u>1,956,899</u>	<u>1,834,184</u>
TOTAL OPERATING EXPENSES	<u>9,614,366</u>	<u>-</u>	<u>9,614,366</u>	<u>7,974,074</u>
DEFICIT FROM SCHOOL OPERATIONS	(926,494)	-	(926,494)	(1,994,423)
Support and other revenue:				
Contributions:				
Foundations	768,501	-	768,501	464,967
Individuals	311,221	-	311,221	597,609
Corporations	335,000	-	335,000	512,000
Miscellaneous income	13,911	-	13,911	5,934
Net assets released from restriction	<u>271,980</u>	<u>(271,980)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>1,700,613</u>	<u>(271,980)</u>	<u>1,428,633</u>	<u>1,580,510</u>
CHANGE IN NET ASSETS	774,119	(271,980)	502,139	(413,913)
Net assets at beginning of year	<u>868,245</u>	<u>383,302</u>	<u>1,251,547</u>	<u>1,665,460</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,642,364</u>	<u>\$ 111,322</u>	<u>\$ 1,753,686</u>	<u>\$ 1,251,547</u>

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

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

	Year ended June 30, 2024							Year ended June 30, 2023
	No. of Positions	Program Services			Supporting Services		Total	
		Regular Education	Special Education	Sub-total	Management and General	Sub-total		
Personnel services costs:								
Administrative staff personnel	12	\$ 607,251	\$ 193,671	\$ 800,922	\$ 378,759	\$ 378,759	\$ 1,179,681	\$ 1,027,723
Instructional personnel	42	2,101,125	1,169,487	3,270,612	-	-	3,270,612	2,307,736
Non-instructional personnel	7	100,513	32,057	132,570	416,132	416,132	548,702	366,848
Total salaries and wages	61	2,808,889	1,395,215	4,204,104	794,891	794,891	4,998,995	3,702,307
Fringe benefits and payroll taxes		597,437	296,755	894,192	169,069	169,069	1,063,261	853,848
Retirement		131,883	65,508	197,391	37,322	37,322	234,713	192,086
Legal services		-	-	-	65,489	65,489	65,489	31,345
Accounting/audit services		-	-	-	28,815	28,815	28,815	24,700
Other purchased/professional/consulting services		234,468	74,779	309,247	187,786	187,786	497,033	424,013
Building and land rent/lease		832,611	265,545	1,098,156	418,019	418,019	1,516,175	1,516,174
Repairs and maintenance		-	-	-	-	-	-	27,609
Insurance		30,596	9,758	40,354	15,361	15,361	55,715	43,380
Supplies/materials		117,401	37,443	154,844	-	-	154,844	106,851
Equipment/furnishings		6,235	1,988	8,223	3,130	3,130	11,353	10,601
Leased equipment		14,293	4,559	18,852	7,176	7,176	26,028	39,365
Staff development		45,028	14,360	59,388	22,607	22,607	81,995	73,938
Marketing/recruitment		75,584	24,106	99,690	28,347	28,347	128,037	130,493
Technology		58,908	18,787	77,695	29,575	29,575	107,270	63,264
Food service		5,366	1,712	7,078	-	-	7,078	162,872
Student services		157,834	50,338	208,172	-	-	208,172	215,680
Office expense		2,070	660	2,730	31,814	31,814	34,544	34,633
Travel and conferences		217	69	286	109	109	395	-
Depreciation and amortization		210,068	66,997	277,065	105,466	105,466	382,531	302,705
Other		-	-	-	11,923	11,923	11,923	18,210
		\$ 5,328,888	\$ 2,328,579	\$ 7,657,467	\$ 1,956,899	\$ 1,956,899	\$ 9,614,366	\$ 7,974,074

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

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

	Year ended June 30,	
	2024	2023
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 502,139	\$ (413,913)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	382,531	302,705
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(149,468)	(33,840)
Pledges receivable	203,340	66,090
Prepaid expenses	35,683	26,483
Due from related party	(54,773)	(65,758)
Accounts payable and accrued expenses	(15,887)	(78,140)
Accrued payroll and benefits	117,002	93,315
Due to related party	(261,182)	261,182
Operating lease liability, net of right of use asset	(182,434)	183,254
Deferred lease liability	-	(131,587)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	576,951	209,791
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(281,152)	(285,334)
NET CASH USED FOR INVESTING ACTIVITIES	(281,152)	(285,334)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	295,799	(75,543)
Cash, cash equivalents and restricted cash at beginning of year	515,905	591,448
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 811,704	\$ 515,905

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

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

	<u>Year ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 736,678	\$ 440,894
Cash in escrow	<u>75,026</u>	<u>75,011</u>
	<u>\$ 811,704</u>	<u>\$ 515,905</u>
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 53,273</u>	<u>\$ 33,803</u>

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

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(With Comparative Totals for 2023)

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

The Charter School

Earl Monroe New Renaissance Basketball Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School provides high school students with a rigorous academic program in the context of basketball, historically “New York’s Game.” The school graduates students with a college preparatory education and career readiness to succeed in the basketball and other sports-related industries. On January 2, 2019 the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration on July 31, 2025. On October 17, 2019, the Charter School was granted a request to delay the opening of the Charter School until the 2021-2022 school year and with that an extension of the provisional charter for an additional year, renewable upon expiration on July 31, 2026. Effective January 22, 2021, the original charter agreement was revised to change the name of the Charter School from Lewis Katz New Renaissance Basketball Academy Charter School to Earl Monroe New Renaissance Basketball Charter School.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities and net assets of the Charter School are reported in the following self-balancing net asset groups:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had net assets with donor restrictions of \$111,322 and \$383,302 at June 30, 2024 and June 30, 2023, respectively.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenue over time as follows:

State and local per pupil revenue

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

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

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

	June 30,		
	2024	2023	2022
Grants and other receivables	\$ 47,987	\$ 1,731	\$ -

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

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

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position and amounted to \$226,432 and \$123,941 at June 30, 2024 and June 30, 2023, respectively. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was no deferred revenue at June 30, 2024 and June 30, 2023. The Charter School received cost-reimbursement grants of approximately \$5,700 and \$57,000 that has not been recognized at June 30, 2024 and June 30, 2023, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and cash equivalents include demand deposit accounts and certain money market accounts, and are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. The Charter School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 be placed in escrow each of the first three years of instruction and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve. The amount in escrow was \$75,026 and \$75,011 at June 30, 2024 and June 30, 2023, respectively.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Grants and other receivables

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

The Charter School uses historical loss data as a starting point to estimate expected credit losses, given consistent revenue sources since its inception. There were no write-offs for the years ended June 30, 2024 and 2023.

Pledges receivable

Pledges receivable represent unconditional promises to give. Those that are expected to be collected within one year are recorded at their realizable value. Those that are to be collected in future years are recorded at the present value of estimated future collections. Discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. The gross value and the net present value of the pledges receivable was approximately \$216,400 and \$210,000 at June 30, 2024, respectively. The gross value and the net present value of the pledges receivable was approximately \$421,200 and \$413,300 at June 30, 2023, respectively.

Due from/to related party

At June 30, 2024, the Charter School has an amount due from a related party for facility costs paid by the Charter School on behalf of the related party. At June 30, 2023, the Charter School has an amount due from a related party for contributions pledged and an amount due to the same related party for lease payments. See Note F for the related party facility lease.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Leasehold improvements are being amortized over the lesser of the assets' useful lives or the remaining term of the lease.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Contributed goods and services

The Charter School received transportation services, a nurse, speech therapist, occupational therapist, physical therapist and food supplies and services from the local district. The Charter School was unable to determine a value for these services.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Tax exempt status

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

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

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$128,000 and \$131,000 at June 30, 2024 and 2023, respectively.

Comparatives for year ended June 30, 2023

The financial statements include certain prior year summarized comparative information in total but not by net asset class and functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Use of estimates in the preparation of financial statements

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

Leases

The Charter School leases building space and equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and lease liabilities on the accompanying statement of financial position.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

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

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Adoption of new accounting standard – current expected credit losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Charter School that are subject to the guidance in FASB ASC 326 were receivables.

The Charter School adopted the standard effective July 1, 2023. The impact of adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 14, 2024, which is the date the financial statements are available to be issued. See Note F.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2024 and 2023:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 736,678	\$ 440,894
Grants and other receivables	275,140	125,672
Pledges receivable - current portion	<u>183,500</u>	<u>303,500</u>
Total financial assets available within one year	1,195,318	870,066
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	<u>(15,000)</u>	<u>(90,000)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,180,318</u>	<u>\$ 780,066</u>

NOTE C: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Undesignated	\$ 1,070,205	\$ 194,707
Invested in property and equipment	<u>572,159</u>	<u>673,538</u>
	<u>\$ 1,642,364</u>	<u>\$ 868,245</u>

Net assets with donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Time restricted - unrestricted pledges due in future periods	\$ 66,322	\$ 248,302
Time and purpose restricted - pledges due in future periods for:		
Athletics	-	75,000
Literacy program	<u>45,000</u>	<u>60,000</u>
	<u>\$ 111,322</u>	<u>\$ 383,302</u>

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE D: PLEDGES RECEIVABLE

Pledges receivable are recorded at their estimated net present value using a discount rate of 2%. Future payments to be received on the pledges receivable are as follows:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Within one year	\$ 183,500	\$ 303,500
In one to three years	<u>32,861</u>	<u>117,721</u>
	216,361	421,221
Less:		
Discount to net present value	<u>(6,401)</u>	<u>(7,921)</u>
	<u>\$ 209,960</u>	<u>\$ 413,300</u>

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 298,968	\$ 222,692
Leasehold improvements	494,168	489,368
Office equipment	233,890	195,045
Software	14,650	-
Computers and equipment	404,847	274,916
Construction in progress	<u>16,650</u>	<u>-</u>
	1,463,173	1,182,021
Less accumulated depreciation and amortization	<u>891,014</u>	<u>508,483</u>
	<u>\$ 572,159</u>	<u>\$ 673,538</u>

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 was \$382,531 and \$302,705, respectively.

Construction in progress at June 30, 2024 is comprised of IT redesign for the Charter School's future permanent site. There are no other construction commitments as of June 30, 2024. Construction in progress is stated at cost. No provision for depreciation or amortization is made on construction in progress until such time as the relevant assets are complete and put into use.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE F: LEASES

Related party facility lease

In January 2021, the Charter School entered into a sublease agreement with a related party, Friends of Earl Monroe New Renaissance Basketball Charter School, Inc. (“Sublandlord”) for property located at 1617 Parkview Avenue, Bronx, NY. The Sublandlord has entered into a related lease with an unrelated third party (“Overlandlord”) which is guaranteed by the Charter School. The terms of that agreement are the same as the sublease. On March 28, 2023, the head lease was extended to June 30, 2025, which calls for base rent of \$981,162 for the period July 1, 2024 through June 30, 2025.

The sublease commenced February 1, 2021 and expired June 30, 2024. The sublease also provides for the opportunity for two renewal periods, each with a one-year term. The sublease calls for base rent of \$200,000 for the period February 1, 2021 through June 30, 2021. The revised sublease commenced July 1, 2022 and expired June 30, 2024. The sublease calls for base rent of \$1,698,510 for the year ended June 30, 2024. Upon expiration of this sublease, there was no written sublease in effect at June 30, 2024; therefore, there was no right-of-use asset or liability recorded for this sublease at June 30, 2024. On August 20, 2024, the Charter School extended its sublease to June 30, 2025. The sublease calls for base rent of \$1,732,480 for the year ended June 30, 2025. The sublease required a security deposit of \$156,667 to be made with the Overlandlord which is included in the accompanying statement of financial position at June 30, 2024 and 2023. Rent paid for the sublease for the years ended June 30, 2024 and 2023 was approximately \$1,699,000 and \$1,465,000, respectively.

Equipment leases

The Charter School has operating leases for copier equipment. The leases have various remaining lease terms through December 2027 with total monthly lease payments of approximately \$2,200.

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

	<u>Statement of Financial Position Classification</u>	<u>June 30,</u>	
		<u>2024</u>	<u>2023</u>
<u>Assets</u>			
Operating Leases	Other assets	<u>\$ 60,300</u>	<u>\$ 1,529,185</u>
<u>Liabilities</u>			
Current:			
Operating Leases	Current liabilities	\$ 24,837	\$ 1,698,399
Non-current:			
Operating Leases	Other liabilities	36,283	14,040
		<u>\$ 61,120</u>	<u>\$ 1,712,439</u>

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE F: LEASES, Cont'd

The component of lease expense were as follows:

	<u>Year ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 1,545,866	\$ 1,537,674

As of June 30, 2024, minimum payments due for lease liabilities for future years are as follows:

	<u>Operating leases</u>
2025	\$ 26,774
2026	16,438
2027	14,460
2028	<u>7,230</u>
Total lease payments	64,902
Less: Interest	<u>(3,782)</u>
Present value of lease liabilities	<u>\$ 61,120</u>

Supplemental information is as follows:

	<u>Year ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 1,728,300	\$ 1,486,007
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Operating leases	\$ 53,273	\$ 33,803
Weighted-average remaining lease term:		
Operating leases	2.96 years	1.02 years
Weighted-average discount rate:		
Operating leases	3.93%	2.85%

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE G: CONTINGENCY

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

NOTE H: CONCENTRATIONS

At June 30, 2024 and 2023, 82% and 99%, respectively, of grants and other receivables are due from the federal government relating to certain grants. At June 30, 2024, 17% of grants and other receivables are due from New York City School District.

For the years ended June 30, 2024 and 2023, approximately 76% and 71%, respectively, of total operating revenue and support came from per-pupil funding provided by the New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

For both of the years ended June 30, 2024 and 2023, approximately 19% of total operating revenue and support came from NYC DOE rental assistance.

NOTE I: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. The Plan allows for the Charter School to make discretionary contributions to the Plan. The Charter School contributed approximately \$219,000 and \$188,000 to the Plan for the years ended June 30, 2024 and June 30, 2023, respectively.

NOTE J: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE K: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$57,917 and \$202,002 of revenue relative to ESSER grants during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024, the Charter School no longer has ESSER grants available for expenditure.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE L: LEASE GUARANTEE

In January 2022, a related party, Friends of Earl Monroe New Renaissance Basketball Charter School, Inc. ("Friends") entered into a lease agreement with an unrelated third party effective July 2025 for property located at 647-651 Elton Avenue, Bronx, NY. The property will eventually serve as the permanent location of the Charter School. The Charter School will guarantee this lease. The landlord intends to develop the property into a 7-story building. The term of the lease commences on the date the landlord satisfies the delivery conditions as defined in the lease agreement which is anticipated to be between July 1, 2025 and August 1, 2025. The lease term shall end on June 30th of the thirty-first lease year. The lease is contingent on the landlord's ability to obtain financing to fund the landlord's work.

The future minimum payments required by Friends under the lease agreement, assuming the lease commencement date of July 1, 2025 holds true, are as follows:

Year ending June 30,

2026	\$ 2,700,000
2027	2,767,500
2028	2,836,700
2029	2,907,600
Thereafter	<u>112,988,900</u>
	<u>\$ 124,200,700</u>

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



BUSINESS
ADVISORS
AND CPAS

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

Board of Trustees
Earl Monroe New Renaissance Basketball Charter School

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Earl Monroe New Renaissance Basketball Charter School, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 14, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Earl Monroe New Renaissance Basketball Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Earl Monroe New Renaissance Basketball Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Earl Monroe New Renaissance Basketball Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Earl Monroe New Renaissance Basketball Charter 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

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 14, 2024