

Manhattan Charter Schools

Financial Statements

June 30, 2024 and 2023

Independent Auditors' Report

Board of Trustees
Manhattan Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Manhattan 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 referred to above present fairly, in all material respects, the financial position of Manhattan 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 Manhattan 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 Manhattan Charter Schools' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Manhattan 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 Manhattan 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 17 through 19 are presented for purposes of additional analysis and are 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 November 1, 2024, on our consideration of Manhattan 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 Manhattan 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 Manhattan Charter Schools internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
November 1, 2024

Manhattan Charter Schools

Statements of Financial Position

	June 30,	
	2024	2023
ASSETS		
Current Assets		
Cash	\$ 6,357,754	\$ 5,642,403
Investments	968,727	1,981,485
Grants and contracts receivable	438,123	953,810
Prepaid expenses and other current assets	58,396	124,805
Total Current Assets	7,823,000	8,702,503
Property and equipment, net	229,414	276,864
Right of use assets - finance lease, net	36,588	-
Right of use assets - operating lease, net	-	17,773
Restricted cash	154,018	150,142
	\$ 8,243,020	\$ 9,147,282
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 352,517	\$ 204,131
Accrued payroll and payroll taxes	389,225	542,013
Finance lease liabilities	16,370	-
Operating lease liabilities	-	16,678
Refundable advances	747	7,891
Total Current Liabilities	758,859	770,713
Finance lease liabilities, less current portion	20,889	-
Operating lease liabilities, less current portion	-	1,095
Total Liabilities	779,748	771,808
Net Assets, Without Donor Restrictions		
Undesignated	6,493,272	6,375,474
Board designated	970,000	2,000,000
Total Net Assets	7,463,272	8,375,474
	\$ 8,243,020	\$ 9,147,282

See notes to financial statements

Manhattan Charter Schools

Statements of Activities

	Year Ended June 30,	
	2024	2023
OPERATING REVENUE		
State and local per pupil operating revenue		
General education	\$ 4,438,555	\$ 4,842,038
Special education	587,315	735,549
Federal grants	696,512	706,989
Federal E-Rate and IDEA	158,635	175,166
State grants	9,360	21,208
Total Operating Revenue	5,890,377	6,480,950
EXPENSES		
Program Services		
Regular education	4,380,107	4,164,527
Special education	1,623,734	1,526,191
Total Program Services	6,003,841	5,690,718
Supporting Services		
Management and general	1,247,915	1,016,031
Fundraising	53,703	76,102
Total Expenses	7,305,459	6,782,851
Deficit from Operations	(1,415,082)	(301,901)
SUPPORT AND OTHER REVENUE		
Contributions	-	21,635
Investment income, net	154,929	77,950
Unrealized gain (loss) on investments	17,130	(18,515)
Employee Retention Credit	329,372	-
Other revenue	1,449	23,507
Total Support and Other Revenue	502,880	104,577
Change in Net Assets	(912,202)	(197,324)
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	8,375,474	8,572,798
End of year	\$ 7,463,272	\$ 8,375,474

See notes to financial statements

Manhattan Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	8	\$ 480,923	\$ 232,178	\$ 713,101	\$ 552,404	\$ 39,556	\$ 1,305,061
Instructional personnel	52	2,208,967	704,032	2,912,999	-	-	2,912,999
Non-instructional personnel	<u>2</u>	<u>62,316</u>	<u>21,438</u>	<u>83,754</u>	-	-	<u>83,754</u>
Total Personnel Services Costs	<u>62</u>	<u>2,752,206</u>	<u>957,648</u>	<u>3,709,854</u>	552,404	39,556	4,301,814
Employee benefits and payroll taxes		514,841	174,636	689,477	112,993	8,071	810,541
Retirement		53,900	17,715	71,615	11,758	832	84,205
Legal services		-	-	-	30,011	-	30,011
Accounting and auditing services		-	-	-	446,533	-	446,533
Other professional and consulting services		393,974	197,411	591,385	4,216	299	595,900
Repairs and maintenance		2,044	656	2,700	443	31	3,174
Insurance		59,049	21,186	80,235	13,104	952	94,291
Supplies and materials		134,817	57,933	192,750	934	-	193,684
Equipment and furnishings		297	95	392	65	5	462
Staff development		79,490	38,078	117,568	17,722	91	135,381
Marketing and recruiting		85,694	43,895	129,589	-	-	129,589
Technology		136,809	49,439	186,248	29,733	2,155	218,136
Student service		59,676	27,406	87,082	-	-	87,082
Office expense		21,292	7,865	29,157	4,750	349	34,256
Depreciation and amortization		80,138	27,884	108,022	17,677	1,272	126,971
Miscellaneous		<u>5,880</u>	<u>1,887</u>	<u>7,767</u>	<u>5,572</u>	<u>90</u>	<u>13,429</u>
Total Expenses		<u>\$ 4,380,107</u>	<u>\$ 1,623,734</u>	<u>\$ 6,003,841</u>	<u>\$ 1,247,915</u>	<u>\$ 53,703</u>	<u>\$ 7,305,459</u>

Manhattan Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	10	\$ 500,963	\$ 240,674	\$ 741,637	\$ 530,762	\$ 56,796	\$ 1,329,195
Instructional personnel	41	2,137,095	680,334	2,817,429	-	-	2,817,429
Non-instructional personnel	<u>2</u>	<u>65,197</u>	<u>25,306</u>	<u>90,503</u>	-	-	<u>90,503</u>
Total Personnel Services Costs	<u>53</u>	<u>2,703,255</u>	<u>946,314</u>	<u>3,649,569</u>	530,762	56,796	4,237,127
Employee benefits and payroll taxes		497,272	168,104	665,376	102,949	10,973	779,298
Retirement		61,614	20,336	81,950	11,777	1,244	94,971
Legal services		-	-	-	6,804	-	6,804
Accounting and auditing services		-	-	-	296,403	-	296,403
Other professional and consulting services		207,028	100,304	307,332	2,360	249	309,941
Repairs and maintenance		989	346	1,335	228	25	1,588
Insurance		58,451	20,579	79,030	13,728	1,482	94,240
Supplies and materials		100,604	45,931	146,535	134	-	146,669
Equipment and furnishings		1,375	434	1,809	225	23	2,057
Staff development		97,250	43,383	140,633	2,210	238	143,081
Marketing and recruiting		151,480	73,047	224,527	-	-	224,527
Technology		124,122	44,160	168,282	28,759	3,104	200,145
Student service		73,381	33,465	106,846	-	-	106,846
Office expense		22,196	7,529	29,725	4,648	496	34,869
Depreciation and amortization		64,991	22,095	87,086	13,703	1,463	102,252
Miscellaneous		<u>519</u>	<u>164</u>	<u>683</u>	<u>1,341</u>	<u>9</u>	<u>2,033</u>
Total Expenses		<u>\$ 4,164,527</u>	<u>\$ 1,526,191</u>	<u>\$ 5,690,718</u>	<u>\$ 1,016,031</u>	<u>\$ 76,102</u>	<u>\$ 6,782,851</u>

Manhattan Charter Schools

Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (912,202)	\$ (197,324)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	126,971	102,252
Unrealized (gain) loss on investments	(17,130)	18,515
Amortization of right-of-use asset - operating lease	17,773	21,243
Changes in operating assets and liabilities		
Grants and contracts receivable	515,687	(438,933)
Prepaid expenses and other current assets	66,409	32,838
Accounts payable and accrued expenses	148,386	(41,523)
Accrued payroll and payroll taxes	(152,788)	(122,413)
Operating lease liabilities	(17,773)	(21,243)
Refundable advances	<u>(7,144)</u>	<u>7,891</u>
Net Cash from Operating Activities	<u>(231,811)</u>	<u>(638,697)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(66,466)	(145,690)
Purchases of investments	(210,000)	(2,000,000)
Proceeds from sale of investments	<u>1,239,888</u>	<u>1,328,704</u>
Net Cash from Investing Activities	<u>963,422</u>	<u>(816,986)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments on finance lease liabilities	<u>(12,384)</u>	<u>-</u>
Net Change in Cash and Restricted Cash	719,227	(1,455,683)
CASH AND RESTRICTED CASH		
Beginning of year	<u>5,792,545</u>	<u>7,248,228</u>
End of year	<u>\$ 6,511,772</u>	<u>\$ 5,792,545</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for amounts included in the measurement of operating lease liability	\$ 17,773	\$ 22,032
Cash paid for amounts included in the measurement of finance lease liability	13,284	-
Right-of-use assets obtained in exchange for finance lease	49,642	-

See notes to financial statements

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

1. Organization and Tax Status

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

Manhattan Charter School ("MCS") was incorporated on July 21, 2004, and was granted a provisional charter on July 21, 2004 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (the "Board of Regents"). Effective July 1, 2016, MCS's charter agreement was incorporated into Manhattan Charter School II's ("MCS II") amended and restated charter agreement (see below).

MCS II was incorporated on September 13, 2011 and was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents. The Board of Regents approved and issued renewals to its amended and restated charter for an additional five-year term expiring July 31, 2027.

The School's mission is to prepare its students to achieve high academic levels in the four core subject areas, communicate effectively in verbal, mathematical and musical languages, and to apply critical thinking processes and ethical standards to learning, living and problem solving. The School provided education to approximately 243 students in kindergarten through fifth grade during the 2023-2024 academic year.

MCS and MCS II merged into a single not-for-profit legal entity under MCS II, which serves as the sole surviving educational corporation. The plan of merger was approved by the State University of New York Charter School Committee on February 25, 2016, and became effective for financial purposes on July 1, 2016. MCS II changed its name to Manhattan Charter Schools and each school is authorized by the Charter Schools Institute of the State University of New York under MCS II's provisional charter, as amended to effect the merger. MCS was dissolved in conjunction with this merger.

The School shares space with New York City public schools. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

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.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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. The Board of Trustees has designated \$970,000 for long-term educational planning, organizational growth or facilities planning. Such designated amount was \$2,000,000 at June 30, 2023.

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. 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.

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.

Investment Valuation

Certificates of deposit are valued at the amounts deposited plus accrued interest, and are measured at estimated market value.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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

Investment Income Recognition

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.

Restricted Cash

Under the provisions of its charters, the School established escrow accounts 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	\$ 6,357,754	\$ 5,642,403
Restricted cash	154,018	150,142
	<u>\$ 6,511,772</u>	<u>\$ 5,792,545</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 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 - 5 years
Furniture and fixtures	7 years
Software	3 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.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating and finance leases are included in operating and finance right-of-use (“ROU”) assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the School made the short-term lease election.

ROU assets represent the 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 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. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset 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 School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately.

The School’s lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

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

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

Marketing and Recruiting

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Marketing and recruiting expense for the years ended June 30, 2024 and 2023 was \$129,589 and \$224,527.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

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

Measure of Operations

The statements of activities reports 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 and other sources that include contributions revenue, investment income, Employee Retention Credit and other activities considered to be a more 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 service costs, employee benefits and payroll taxes, other purchased professional and consulting services, and technology have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. 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 November 1, 2024.

3. Investments

The School's investments at June 30, 2024 and 2023 consisted of certificates of deposit in the amounts of \$968,727 and \$1,981,485, categorized as level 2 in the fair value hierarchy.

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 and has determined that such an allowance is not necessary.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

5. Property and Equipment

Property and equipment, net consists of the following at June 30:

	2024	2023
Computers and equipment	\$ 944,352	\$ 877,886
Furniture and fixtures	208,749	208,749
Leasehold improvements	180,662	180,662
Software	5,526	5,526
	<u>1,339,289</u>	<u>1,272,823</u>
Accumulated depreciation and amortization	<u>(1,109,875)</u>	<u>(995,959)</u>
	<u>\$ 229,414</u>	<u>\$ 276,864</u>

6. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 4% of the participant's annual compensation. Employee match for the years ended June 30, 2024 and 2023 amounted to \$84,205 and \$94,971.

7. 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:

Financial Assets at year end:	2024	2023
Cash	\$ 6,357,754	\$ 5,642,403
Investments	968,727	1,981,485
Grants and contracts receivable	424,531	953,810
Total Financial Assets	<u>7,751,012</u>	<u>8,577,698</u>
Less amounts unavailable for general expenditure:		
Board designated net assets	<u>970,000</u>	<u>2,000,000</u>
	<u>\$ 6,781,012</u>	<u>\$ 6,577,698</u>

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

7. 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 invested in highly liquid securities. 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 an unanticipated liquidity need, the School could draw down upon investments to cover temporary shortfall in funding. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see note 9).

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash on deposit and investments with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2024 and 2023, approximately \$5,000,000 and \$5,300,000 of cash and investments were maintained with an institution in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For each of the years ended June 30, 2024 and 2023, the School received approximately 79% and 85% of 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. Commitments

In 2024, the School entered into two separate finance leases for copier and printer equipment with various termination dates through September 2026. In 2023, the School entered into two separate operating leases for copier and printer equipment with various termination dates through March 2024.

ROU assets consist of the following at June 30:

	2024	2023
ROU asset - finance lease	\$ 49,642	\$ -
ROU asset - operating lease	-	39,016
Accumulated amortization	(13,054)	(21,243)
	<u>\$ 36,588</u>	<u>\$ 17,773</u>
Weighted average remaining lease term	2.21 years	0.92 years
Weighted average discount rate	4.72%	2.87%

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2024 and 2023

10. Commitments *(continued)*

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

2025	\$	17,712
2026		17,712
2027		<u>3,740</u>
Total minimum lease payments		39,164
Present value discount		<u>(1,905)</u>
Present value of finance lease liability		37,259
Current portion		<u>(16,370)</u>
Finance lease liabilities, less current portion	\$	<u><u>20,889</u></u>

The lease expense for the years ended June 30, 2024 and 2023 amounted to \$18,904 and \$22,032.

11. Employee Retention Credit

During 2022, the School qualified for the Employee Retention Credit (“ERC”), which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specific threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. During 2024, the School received the ERC in the amount of \$329,372. The ERC revenue is included in the accompanying 2024 statement of activities. The ERC is open to audit for three years from the date of the filing of the amended payroll tax returns.

12. 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.

Manhattan Charter Schools

Supplementary Information

June 30, 2024

Manhattan Charter Schools

Schedule of Activities by School
Years Ended June 30, 2024 and 2023

	Manhattan Charter School		Manhattan Charter School II		Manhattan Charter Schools	
	2024	2023	2024	2023	2024	2023
OPERATING REVENUE						
State and local per pupil operating revenue						
General education	\$ 3,277,835	\$ 3,152,101	\$ 1,160,720	\$ 1,689,937	\$ 4,438,555	\$ 4,842,038
Special education	374,050	416,670	213,265	318,879	587,315	735,549
Federal grants	330,362	385,527	366,150	321,462	696,512	706,989
Federal E-Rate and IDEA	86,233	103,670	72,402	71,496	158,635	175,166
State grants	4,680	13,397	4,680	7,811	9,360	21,208
Total Operating Revenue	<u>4,073,160</u>	<u>4,071,365</u>	<u>1,817,217</u>	<u>2,409,585</u>	<u>5,890,377</u>	<u>6,480,950</u>
EXPENSES						
Program Services						
Regular education	3,083,810	2,768,444	1,296,297	1,396,083	4,380,107	4,164,527
Special education	1,006,319	911,986	617,415	614,205	1,623,734	1,526,191
Total Program Services	<u>4,090,129</u>	<u>3,680,430</u>	<u>1,913,712</u>	<u>2,010,288</u>	<u>6,003,841</u>	<u>5,690,718</u>
Supporting Services						
Management and general	791,883	526,227	456,032	489,804	1,247,915	1,016,031
Fundraising	38,080	38,092	15,623	38,010	53,703	76,102
Total Expenses	<u>4,920,092</u>	<u>4,244,749</u>	<u>2,385,367</u>	<u>2,538,102</u>	<u>7,305,459</u>	<u>6,782,851</u>
Surplus (Deficit) from Operations	<u>(846,932)</u>	<u>(173,384)</u>	<u>(568,150)</u>	<u>(128,517)</u>	<u>(1,415,082)</u>	<u>(301,901)</u>
SUPPORT AND OTHER REVENUE						
Contributions	-	18,027	-	3,608	-	21,635
Investment income, net	132,537	52,633	22,392	25,317	154,929	77,950
Unrealized gain (loss) on investments	17,130	(18,515)	-	-	17,130	(18,515)
Employee retention credit	329,372	-	-	-	329,372	-
Other revenue	-	22,637	1,449	870	1,449	23,507
Total Support and Other Revenue	<u>479,039</u>	<u>74,782</u>	<u>23,841</u>	<u>29,795</u>	<u>502,880</u>	<u>104,577</u>
Change in Net Assets	<u>(367,893)</u>	<u>(98,602)</u>	<u>(544,309)</u>	<u>(98,722)</u>	<u>(912,202)</u>	<u>(197,324)</u>
NET ASSETS						
Beginning of year	<u>6,559,433</u>	<u>6,658,035</u>	<u>1,816,041</u>	<u>1,914,763</u>	<u>8,375,474</u>	<u>8,572,798</u>
End of year	<u>\$ 6,191,540</u>	<u>\$ 6,559,433</u>	<u>\$ 1,271,732</u>	<u>\$ 1,816,041</u>	<u>\$ 7,463,272</u>	<u>\$ 8,375,474</u>

See independent auditors' report

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School
 Year Ended June 30, 2024
 (with summarized totals for the year ended June 30, 2023)

	2024						2023	
	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel Services Costs								
Administrative staff personnel	5	\$ 267,261	\$ 91,942	\$ 359,203	\$ 402,170	\$ 28,243	\$ 789,616	\$ 663,071
Instructional personnel	37	1,709,520	545,229	2,254,749	-	-	2,254,749	1,984,805
Non-instructional personnel	2	62,316	21,438	83,754	-	-	83,754	90,503
Total Personnel Services Costs	44	2,039,097	658,609	2,697,706	402,170	28,243	3,128,119	2,738,379
Employee benefits and payroll taxes		396,737	127,298	524,035	86,167	6,051	616,253	538,907
Retirement		48,641	15,607	64,248	10,564	742	75,554	75,969
Legal services		-	-	-	13,391	-	13,391	4,027
Accounting and auditing services		-	-	-	232,053	-	232,053	154,164
Other professional and consulting services		192,835	65,941	258,776	3,730	262	262,768	137,153
Repairs and maintenance		2,044	656	2,700	443	31	3,174	858
Insurance		31,043	9,961	41,004	6,743	473	48,220	48,056
Supplies and materials		108,209	40,469	148,678	-	-	148,678	91,594
Equipment and furnishings		297	95	392	65	5	462	2,057
Staff development		44,672	15,230	59,902	4,032	91	64,025	86,867
Marketing and recruiting		39,544	13,604	53,148	-	-	53,148	107,933
Technology		75,797	24,321	100,118	16,463	1,156	117,737	100,018
Student service		37,659	12,955	50,614	-	-	50,614	66,071
Office expense		8,366	2,684	11,050	1,816	128	12,994	23,572
Depreciation and amortization		52,989	17,002	69,991	11,510	808	82,309	68,105
Miscellaneous		5,880	1,887	7,767	2,736	90	10,593	1,019
Total Expenses		\$ 3,083,810	\$ 1,006,319	\$ 4,090,129	\$ 791,883	\$ 38,080	\$ 4,920,092	\$ 4,244,749

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School II
 Year Ended June 30, 2024
 (with summarized totals for the year ended June 30, 2023)

	No. of Positions	2024					2023	
		Program Services			Supporting Services		Total	Total
		Regular Education	Special Education	Total	Management and General	Fundraising		
Personnel Services Costs								
Administrative staff personnel	3	\$ 213,662	\$ 140,236	\$ 353,898	\$ 150,234	\$ 11,313	\$ 515,445	\$ 666,124
Instructional personnel	15	499,447	158,803	658,250	-	-	658,250	832,624
Non-instructional personnel	-	-	-	-	-	-	-	-
Total Personnel Services Costs	<u>18</u>	<u>713,109</u>	<u>299,039</u>	<u>1,012,148</u>	<u>150,234</u>	<u>11,313</u>	<u>1,173,695</u>	<u>1,498,748</u>
Employee benefits and payroll taxes		118,104	47,338	165,442	26,826	2,020	194,288	240,391
Retirement		5,259	2,108	7,367	1,194	90	8,651	19,002
Legal services		-	-	-	16,620	-	16,620	2,777
Accounting and auditing services		-	-	-	214,480	-	214,480	142,239
Other professional and consulting services		201,139	131,470	332,609	486	37	333,132	172,788
Repairs and maintenance		-	-	-	-	-	-	730
Insurance		28,006	11,225	39,231	6,361	479	46,071	46,184
Supplies and materials		26,608	17,464	44,072	934	-	45,006	55,075
Equipment and furnishings		-	-	-	-	-	-	-
Staff development		34,818	22,848	57,666	13,690	-	71,356	56,214
Marketing and recruiting		46,150	30,291	76,441	-	-	76,441	116,594
Technology		61,012	25,118	86,130	13,270	999	100,399	100,127
Student service		22,017	14,451	36,468	-	-	36,468	40,775
Office expense		12,926	5,181	18,107	2,934	221	21,262	11,297
Depreciation and amortization		27,149	10,882	38,031	6,167	464	44,662	34,147
Miscellaneous		-	-	-	2,836	-	2,836	1,014
Total Expenses		<u>\$ 1,296,297</u>	<u>\$ 617,415</u>	<u>\$ 1,913,712</u>	<u>\$ 456,032</u>	<u>\$ 15,623</u>	<u>\$ 2,385,367</u>	<u>\$ 2,538,102</u>

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
Manhattan 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 Manhattan 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 November 1, 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
November 1, 2024