

# **Middle Village Preparatory Charter School**

Financial Statements

June 30, 2024 and 2023

## **Independent Auditors' Report**

**Board of Trustees**  
**Middle Village Preparatory Charter School**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Middle Village Preparatory Charter School (the "School") (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 the School 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

***Responsibilities of Management for the Financial Statements (continued)***

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

October 17, 2024

## Middle Village Preparatory Charter School

### Statements of Financial Position

|   | June 30              |                      |
|---|----------------------|----------------------|
|   | <u>2024</u>          | <u>2023</u>          |
| <b>ASSETS</b>                               |                      |                      |
| Cash and cash equivalents                   | \$ 5,053,337         | \$ 2,216,905         |
| Grants and accounts receivable              | 130,572              | 1,476,483            |
| Investments                                 | 13,079,686           | 13,097,070           |
| Prepaid expenses and other assets           | 412,614              | 58,650               |
| Restricted cash                             | 76,669               | 75,899               |
| Right-of-use asset, net                     | 8,627,997            | 10,631,835           |
| Property and equipment, net                 | <u>688,383</u>       | <u>787,551</u>       |
|   | <u>\$ 28,069,258</u> | <u>\$ 28,344,393</u> |
| <br>  |                      |                      |
| <b>LIABILITIES AND NET ASSETS</b>           |                      |                      |
| Liabilities                                 |                      |                      |
| Accounts payable and accrued expenses       | \$ 561,413           | \$ 623,939           |
| Operating lease liability                   | <u>8,267,898</u>     | <u>10,905,884</u>    |
| Total Liabilities                           | <u>8,829,311</u>     | <u>11,529,823</u>    |
| <br>  |                      |                      |
| Net Assets Without Donor Restrictions       |                      |                      |
| Undesignated                                | 4,743,094            | 2,324,356            |
| Board designated                            | <u>14,496,853</u>    | <u>14,490,214</u>    |
| Total Net Assets Without Donor Restrictions | <u>19,239,947</u>    | <u>16,814,570</u>    |
|   | <u>\$ 28,069,258</u> | <u>\$ 28,344,393</u> |

See notes to financial statements

## Middle Village Preparatory Charter School

### Statements of Activities

|   | Year Ended           |                      |
|---|----------------------|----------------------|
|   | June 30              |                      |
|   | <u>2024</u>          | <u>2023</u>          |
| <b>REVENUE AND SUPPORT</b>                      |                      |                      |
| Public School District -                        |                      |                      |
| State and local per pupil operating revenue     | \$ 8,848,800         | \$ 7,653,265         |
| Government grants and contracts                 | 2,065,262            | 3,055,867            |
| Interest and dividend revenue                   | 716,466              | 396,517              |
| Net realized and unrealized gain on investments | 382,374              | 56,370               |
| Other income                                    | 26,231               | 5,458                |
| Total Revenue and Support                       | <u>12,039,133</u>    | <u>11,167,477</u>    |
| <br>  |                      |                      |
| <b>EXPENSES</b>                                 |                      |                      |
| Program services                                | 8,751,571            | 7,697,373            |
| Management and general                          | <u>862,185</u>       | <u>950,915</u>       |
| Total Expenses                                  | <u>9,613,756</u>     | <u>8,648,288</u>     |
| <br>  |                      |                      |
| Change in Net Assets                            | 2,425,377            | 2,519,189            |
| <br>  |                      |                      |
| <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>    |                      |                      |
| Beginning of year                               | <u>16,814,570</u>    | <u>14,295,381</u>    |
| <br>  |                      |                      |
| End of year                                     | <u>\$ 19,239,947</u> | <u>\$ 16,814,570</u> |

See notes to financial statements

## Middle Village Preparatory Charter School

### Statement of Functional Expenses Year Ended June 30, 2024

|                                   | No. of<br>Positions | No. of<br>Students | 2024                       |                            |                            | 2023                     |                            |                            |
|-----------------------------------|---------------------|--------------------|----------------------------|----------------------------|----------------------------|--------------------------|----------------------------|----------------------------|
|                                   |                     |                    | Program Services           |                            | Management<br>and General  | Total                    | Total                      |                            |
|                                   |                     |                    | General<br>Education       | Special<br>Education       |                            |                          |                            | Total                      |
|                                   |                     | 450                | 404                        | 46                         |                            |                          |                            |                            |
| Personnel Services Costs          |                     |                    |                            |                            |                            |                          |                            |                            |
| Administrative staff personnel    | 10                  |                    | \$ 428,233                 | \$ 267,645                 | \$ 695,878                 | \$ 374,704               | \$ 1,070,582               | \$ 840,020                 |
| Instructional personnel           | 37                  |                    | 2,161,979                  | 720,917                    | 2,882,896                  | -                        | 2,882,896                  | 2,274,966                  |
| Non-instructional personnel       | 1                   |                    | 37,743                     | 4,197                      | 41,940                     | -                        | 41,940                     | 49,758                     |
| Total Personnel Services Costs    | 48                  |                    | 2,627,955                  | 992,759                    | 3,620,714                  | 374,704                  | 3,995,418                  | 3,164,744                  |
| Fringe benefits and payroll taxes |                     |                    | 371,390                    | 140,299                    | 511,689                    | 52,954                   | 564,643                    | 389,561                    |
| Retirement                        |                     |                    | 102,029                    | 38,543                     | 140,572                    | 14,548                   | 155,120                    | 106,907                    |
| Legal service                     |                     |                    | -                          | -                          | -                          | 5,240                    | 5,240                      | 3,145                      |
| Accounting/audit services         |                     |                    | -                          | -                          | -                          | 58,250                   | 58,250                     | 75,116                     |
| Building and land rent/lease      |                     |                    | 1,506,123                  | 568,967                    | 2,075,090                  | 214,749                  | 2,289,839                  | 2,289,417                  |
| Repairs and maintenance           |                     |                    | 43,737                     | 16,523                     | 60,260                     | 6,236                    | 66,496                     | 66,885                     |
| Insurance                         |                     |                    | 164,031                    | 61,966                     | 225,997                    | 23,388                   | 249,385                    | 239,907                    |
| Supplies/materials                |                     |                    | 177,490                    | 19,738                     | 197,228                    | -                        | 197,228                    | 149,059                    |
| Equipment/furnishings             |                     |                    | 66,522                     | 25,130                     | 91,652                     | 9,485                    | 101,137                    | 67,137                     |
| Staff development                 |                     |                    | 158,231                    | 17,596                     | 175,827                    | -                        | 175,827                    | 180,770                    |
| Marketing and recruitment         |                     |                    | 42,702                     | 15,570                     | 58,272                     | 5,788                    | 64,060                     | 92,103                     |
| Technology                        |                     |                    | 25,530                     | 9,644                      | 35,174                     | 3,640                    | 38,814                     | 44,985                     |
| Food service                      |                     |                    | 310,567                    | 117,323                    | 427,890                    | 44,282                   | 472,172                    | 336,937                    |
| Student services                  |                     |                    | 543,325                    | 78,537                     | 621,862                    | 329                      | 622,191                    | 643,497                    |
| Office expense                    |                     |                    | 16,136                     | 6,096                      | 22,232                     | 2,301                    | 24,533                     | 21,995                     |
| Depreciation and amortization     |                     |                    | 265,610                    | 100,339                    | 365,949                    | 37,872                   | 403,821                    | 422,363                    |
| Other                             |                     |                    | 94,873                     | 26,290                     | 121,163                    | 8,419                    | 129,582                    | 353,760                    |
| <b>Total Expenses</b>             |                     |                    | <b><u>\$ 6,516,251</u></b> | <b><u>\$ 2,235,320</u></b> | <b><u>\$ 8,751,571</u></b> | <b><u>\$ 862,185</u></b> | <b><u>\$ 9,613,756</u></b> | <b><u>\$ 8,648,288</u></b> |

See notes to financial statements

## Middle Village Preparatory Charter School

### Statement of Functional Expenses Year Ended June 30, 2023

|                                   | No. of<br>Positions | No. of<br>Students | Program Services     |                      |                     | Management<br>and General | Total               |
|-----------------------------------|---------------------|--------------------|----------------------|----------------------|---------------------|---------------------------|---------------------|
|                                   |                     |                    | General<br>Education | Special<br>Education | Total               |                           |                     |
|                                   |                     | 405                | 366                  | 39                   |                     |                           |                     |
| Personnel Services Costs          |                     |                    |                      |                      |                     |                           |                     |
| Administrative staff personnel    | 7                   |                    | \$ 336,008           | \$ 210,005           | \$ 546,013          | \$ 294,007                | \$ 840,020          |
| Instructional personnel           | 27                  |                    | 1,660,849            | 614,117              | 2,274,966           | -                         | 2,274,966           |
| Non-instructional personnel       | 1                   |                    | 45,238               | 4,520                | 49,758              | -                         | 49,758              |
| Total Personnel Services Costs    | 35                  |                    | 2,042,095            | 828,642              | 2,870,737           | 294,007                   | 3,164,744           |
| Fringe benefits and payroll taxes |                     |                    | 251,370              | 102,001              | 353,371             | 36,190                    | 389,561             |
| Retirement                        |                     |                    | 68,983               | 27,992               | 96,975              | 9,932                     | 106,907             |
| Legal service                     |                     |                    | -                    | -                    | -                   | 3,145                     | 3,145               |
| Accounting/audit services         |                     |                    | -                    | -                    | -                   | 75,116                    | 75,116              |
| Building and land rent/lease      |                     |                    | 1,477,278            | 599,451              | 2,076,729           | 212,688                   | 2,289,417           |
| Repairs and maintenance           |                     |                    | 43,158               | 17,513               | 60,671              | 6,214                     | 66,885              |
| Insurance                         |                     |                    | 154,803              | 62,816               | 217,619             | 22,288                    | 239,907             |
| Supplies/materials                |                     |                    | 135,519              | 13,540               | 149,059             | -                         | 149,059             |
| Equipment/furnishings             |                     |                    | 43,321               | 17,579               | 60,900              | 6,237                     | 67,137              |
| Staff development                 |                     |                    | 164,350              | 16,420               | 180,770             | -                         | 180,770             |
| Marketing and recruitment         |                     |                    | 61,009               | 23,093               | 84,102              | 8,001                     | 92,103              |
| Technology                        |                     |                    | 29,027               | 11,779               | 40,806              | 4,179                     | 44,985              |
| Food service                      |                     |                    | 217,413              | 88,222               | 305,635             | 31,302                    | 336,937             |
| Student services                  |                     |                    | 570,730              | 72,416               | 643,146             | 351                       | 643,497             |
| Office expense                    |                     |                    | 14,193               | 5,759                | 19,952              | 2,043                     | 21,995              |
| Depreciation and amortization     |                     |                    | 272,534              | 110,589              | 383,123             | 39,240                    | 422,363             |
| Other                             |                     |                    | 129,151              | 24,627               | 153,778             | 199,982                   | 353,760             |
| <b>Total Expenses</b>             |                     |                    | <b>\$ 5,674,934</b>  | <b>\$ 2,022,439</b>  | <b>\$ 7,697,373</b> | <b>\$ 950,915</b>         | <b>\$ 8,648,288</b> |

See notes to financial statements

## Middle Village Preparatory Charter School

### Statements of Cash Flows

|   | Year Ended          |                     |
|---|---------------------|---------------------|
|   | June 30             |                     |
|   | <u>2024</u>         | <u>2023</u>         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Cash receipts from per pupil operating revenue<br>and government grants and contracts | \$ 12,259,973       | \$ 9,438,646        |
| Cash receipts from interest and dividend revenue                                      | 716,466             | 396,517             |
| Other income  | <u>26,231</u>       | <u>5,458</u>        |
| Total Cash Received   | <u>13,002,670</u>   | <u>9,840,621</u>    |
| <br>  |                     |                     |
| Cash paid for payroll and benefits  | 4,620,966           | 3,671,714           |
| Cash paid to vendors  | <u>5,639,607</u>    | <u>4,102,469</u>    |
| Total Cash Paid   | <u>10,260,573</u>   | <u>7,774,183</u>    |
| <br>  |                     |                     |
| Net Cash from Operating Activities  | <u>2,742,097</u>    | <u>2,066,438</u>    |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                     |                     |
| Purchases of investments  | (9,368,364)         | (13,887,028)        |
| Sale of investments   | 9,768,122           | 9,995,164           |
| Purchases of property and equipment   | <u>(304,653)</u>    | <u>(535,769)</u>    |
| Net Cash from Investing Activities  | <u>95,105</u>       | <u>(4,427,633)</u>  |
| <br>  |                     |                     |
| Net Change in Cash, Cash Equivalents<br>and Restricted Cash                           | 2,837,202           | (2,361,195)         |
| <br><b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>                                 |                     |                     |
| Beginning of year   | <u>2,292,804</u>    | <u>4,653,999</u>    |
| <br>  |                     |                     |
| End of year   | <u>\$ 5,130,006</u> | <u>\$ 2,292,804</u> |

See notes to financial statements

## Middle Village Preparatory Charter School

Notes to Financial Statements  
June 30, 2024 and 2023

### 1. Nature of the Organization and Tax Status

Middle Village Preparatory Charter School (the "School") is a public charter school whose mission is to prepare students with the academic skills, strength of character and social and emotional well-being to excel in high school and college, to lead in their communities and to realize their best possible selves.

The School operates in Middle Village, New York. On January 1, 2013, the Board of Regents of the University of the State of New York (the "Board of Regents") granted the School a provisional charter valid for a term of five years and renewable upon expiration. During the year ended June 30, 2023, the Board of Regents renewed the School's charter for a period of five years expiring July 31, 2028. The School opened with its first academic year in the fall of 2013 and provided education to 450 and 405 students in sixth through eighth grade during the 2023-2024 and 2022-2023 academic years.

The School's primary sources of revenue are from state and local per pupil operating revenue and other government funding.

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the period then ended. 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:

*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 Board of Trustees. Board designated net assets were established by the Board of Trustees to provide a cash and cash equivalents reserve for unforeseen operating and capital expenses.

## Middle Village Preparatory Charter School

Notes to Financial Statements  
June 30, 2024 and 2023

### 2. Significant Accounting Policies *(continued)*

#### ***Net Asset Presentation (continued)***

*With donor restrictions* - represent amounts restricted by donors for specific activities of the School or to be used at some future date and amounts restricted by donors to be maintained in perpetuity. 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. However, when restrictions on net assets with donor restricted contributions are met in the same accounting period in which they are received, such amounts are reported as net assets without donor restriction.

The School had no net assets with donor restrictions at June 30, 2024 and 2023.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt investments, with a maturity of three months or less at the time of purchase.

#### ***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 quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable, either directly or indirectly, with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investment Valuation***

Investments are carried at fair value.

#### ***Restricted Cash***

Included in restricted cash is an escrow fund of \$76,669 as of June 30, 2024 and \$75,899 as of June 30, 2023 to cover debts in the event of the School's dissolution. According to Section 2851(2)(t) of the Charter School Law, the School must maintain no less than \$75,000 in an escrow account.

## Middle Village Preparatory Charter School

Notes to Financial Statements  
June 30, 2024 and 2023

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

#### ***Restricted Cash (continued)***

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts presented in the statements of cash flows at June 30:

|                           | <u>2024</u>         | <u>2023</u>         |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 5,053,337        | \$ 2,216,905        |
| Restricted cash           | <u>76,669</u>       | <u>75,899</u>       |
|                           | <u>\$ 5,130,006</u> | <u>\$ 2,292,804</u> |

#### ***Property and Equipment***

Property and equipment is recorded at cost. Additions and improvements or betterments in excess of \$1,000 with an estimated useful life of more than three years are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or term of the related lease. Property and equipment acquired with certain government contract funds are recorded as expenses when the government retains title to such assets.

#### ***Impairment of Long-Lived Assets***

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were required to be recognized at June 30, 2024 or 2023.

#### ***Revenue Recognition***

Revenue from state and local governments under the charter agreement is based on the number of students enrolled and recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts is recognized by the School when qualifying expenditures are incurred. Funds received in advance for which qualifying expenditures have not been incurred are reflected as deferred revenue in the accompanying statements of financial position.

The School follows U.S. GAAP guidance on accounting for contributions received and contributions made.

A number of volunteers have made a contribution of their time to the School to develop its programs and to serve on the School's Board of Trustees. The value of such contributed time is not reflected in these financial statements because it does not meet the criteria for recognition.

## Middle Village Preparatory Charter School

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 revenue 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 change in net assets.

#### ***Functional Expenses***

The financial statements report certain categories of expenses that are attributable 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. Such expenses include personnel services costs, fringe benefits and payroll taxes, and building and land rent/lease.

Expenses are classified according to the functional categories for which they are incurred, as follows:

General Education Program Services – represents expenses directly associated with general education.

Special Education Program Services – represents expenses directly associated with special education for certain students requiring additional attention and guidance.

Management and General – represents expenses related to the overall administration and operation of the School that are not associated with any educational services or fundraising.

#### ***Marketing and Recruitment***

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment costs for the years ended June 30, 2024 and 2023 was \$64,060 and \$92,103.

#### ***Leases***

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

## Middle Village Preparatory Charter School

Notes to Financial Statements  
June 30, 2024 and 2023

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

#### ***Leases (continued)***

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 lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of 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 the lease and when it is reasonably certain that the School will exercise that option such amounts are included in ROU assets and lease liabilities. 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.

#### ***Accounting for Uncertainty in Income Taxes***

The School recognizes the effect of income tax positions only when they 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 authorities for the years prior to June 30, 2021.

#### ***Reclassifications***

Certain amounts in the 2023 financial statements have been reclassified to conform to the 2024 presentation. These reclassifications have had no effect on the change in net assets or net assets.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through October 17, 2024, which is the date that the financial statements were available to be issued.

## **Middle Village Preparatory Charter School**

Notes to Financial Statements

June 30, 2024 and 2023

### **3. Concentration of Credit Risk and Revenue**

Financial instruments that potentially subject the School to concentrations of credit risk consists primarily of cash, cash equivalents, and restricted cash on deposits with financial institutions, investments held at financial institutions, and grants and accounts receivable. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000 for each depositor. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). Management has reduced the risk through use of IntraFi Network Deposits for its sweep account, which allows a business to invest in certificates of deposits held by many different Federal Deposit Insurance Corporation ("FDIC") insured banking institutions so it can achieve full FDIC coverage for the total sum. At times, balances may exceed the FDIC and/or the SIPC limit. In addition to SIPC insurance, certain brokerage firms that hold the School's investments offer excess insurance through private insurers. As of June 30, 2024 and 2023, the School's uninsured cash, cash equivalents, and restricted cash balances on deposit were \$4,077,721 and \$1,468,928. As of June 30, 2024 and 2023, the School's uninsured investment holdings were \$180,772 and \$656,791. The investment portfolio is diversified by types of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of risk.

The School receives a majority of its revenues from the New York State Education Department through the Charter Schools Institute of the State of New York. The Charter Schools Institute of the State of New York provides general operating support to the School based upon the location and the number of students enrolled. State and local per pupil education and special education revenue provided to the School totaled \$8,848,800 and \$7,653,265 for the years ended June 30, 2024 and 2023. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances would be materially adversely affected.

The School entered into contractual arrangements with certain governmental funding sources. The governmental agencies may request a return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund, because management does not believe that there are any liabilities to be recorded.

### **4. Grants and Accounts Receivable**

Grants and accounts receivable are deemed to be fully collectible by management and consist of income from the federal government and New York State.

## Middle Village Preparatory Charter School

### Notes to Financial Statements June 30, 2024 and 2023

#### 5. Employee Retention Credit

During 2020 and 2021, 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. The School has recognized the ERC revenue and corresponding receivable in the amount of \$860,742 as of and for the year ended June 30, 2023. The ERC revenue is included within government grants and contracts in the accompanying 2023 statement of activities, and the corresponding receivable is included within grants and accounts receivable in the accompanying 2023 statement of financial position. The Employee Retention Credit receivable was collected during July 2023. The ERC remains subject to audit by government authorities until 2025.

#### 6. Investments

Major categories of investments categorized by the fair value hierarchy are as follows at June 30:

|  | 2024   |   |                      | 2023   |   |                      |
|--|--|---|----------------------|--|---|----------------------|
|  | Quoted Price in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant<br>Other Observable<br>Inputs (Level 2) | Total                | Quoted Price in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant<br>Other Observable<br>Inputs (Level 2) | Total                |
| Exchange-traded funds and closed-end funds | \$ 1,225,671   | \$ -  | \$ 1,225,671         | \$ 1,085,478   | \$ -  | \$ 1,085,478         |
| Corporate bonds                            | 1,779,800  | -   | 1,779,800            | 804,957  | -   | 804,957              |
| Common stocks                              | 438,136  | -   | 438,136              | 862,093  | -   | 862,093              |
| Preferred stocks                           | -  | 153,703   | 153,703              | -  | 379,498   | 379,498              |
| Contingent auto-callable securities        | -  | 386,830   | 386,830              | -  | 993,110   | 993,110              |
| Government securities                      | -  | 604,977   | 604,977              | -  | 2,767,250   | 2,767,250            |
| Unit investment trusts                     | -  | 331,844   | 331,844              | -  | 119,892   | 119,892              |
| Variable annuity                           | -  | 582,609   | 582,609              | -  | 509,808   | 509,808              |
| Money market funds                         | -  | -   | -                    | 22,315   | -   | 22,315               |
| Mutual funds                               | <u>1,107,057</u>   | <u>-</u>  | <u>1,107,057</u>     | <u>1,047,755</u>   | <u>-</u>  | <u>1,047,755</u>     |
|  | <u>\$ 4,550,664</u>  | <u>\$ 2,059,963</u>                                 | 6,610,627            | <u>\$ 3,822,598</u>  | <u>\$ 4,769,558</u>                                 | 8,592,156            |
| Cash equivalents, at cost                  |  |   | 241,615              |  |   | 655,824              |
| Certificates of deposit, at cost           |  |   | <u>6,227,444</u>     |  |   | <u>3,849,090</u>     |
|  |  |   | <u>\$ 13,079,686</u> |  |   | <u>\$ 13,097,070</u> |

During the years ended June 30, 2024 and 2023, there were no transfers in or out of Levels 1, 2 or 3 of the fair value hierarchy.

## Middle Village Preparatory Charter School

Notes to Financial Statements  
June 30, 2024 and 2023

### 7. Property and Equipment

Property and equipment consist of the following at June 30:

|  | 2024         | 2023         | Estimated<br>Useful Lives |
|--|--------------|--------------|---------------------------|
| Computers and other equipment                | \$ 1,759,988 | \$ 1,474,342 | 3                         |
| Furniture and fixtures                       | 447,134      | 428,127      | 7                         |
| Leasehold improvements                       | 2,003,048    | 2,003,048    | 5                         |
|  | 4,210,170    | 3,905,517    |                           |
| Accumulated depreciation<br>and amortization | (3,521,787)  | (3,117,966)  |                           |
|  | \$ 688,383   | \$ 787,551   |                           |

### 8. Board Designated Net Assets

For the years ended June 30, 2024 and 2023, the School designated \$6,639 and \$3,954,029 as an additional reserve for future capital projects.

The board designated net assets activity for the years ended June 30, 2024 and 2023 is as follows:

|                         | Balance<br>June 30,<br>2023 | Additions    | Released | Balance<br>June 30,<br>2024 |
|-------------------------|-----------------------------|--------------|----------|-----------------------------|
| Future capital projects | \$ 14,490,214               | \$ 6,639     | \$ -     | \$ 14,496,853               |
|                         | Balance<br>June 30,<br>2022 | Additions    | Released | Balance<br>June 30,<br>2023 |
| Future capital projects | \$ 10,536,185               | \$ 3,954,029 | \$ -     | \$ 14,490,214               |

## Middle Village Preparatory Charter School

Notes to Financial Statements  
June 30, 2024 and 2023

### 9. Liquidity and Availability of Financial Resources

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

|  | 2024         | 2023         |
|--|--------------|--------------|
| Cash and cash equivalents  | \$ 5,053,337 | \$ 2,216,905 |
| Grants and accounts receivable   | 130,572      | 1,476,483    |
| Investments  | 13,079,686   | 13,097,070   |
| Total Financial Assets   | 18,263,595   | 16,790,458   |
| Less amounts unavailable for general expenditure:  |              |              |
| Board designated net assets  | 14,496,853   | 14,490,214   |
| Financial Assets at Year End Available to Meet Cash<br>Needs for General Expenditure Within One Year | \$ 3,766,742 | \$ 2,300,244 |

#### *Liquidity Management*

As part of its liquidity management plan, the School invests cash in excess of daily requirements in short-term investments. Although the School does not intend to spend from its board designated net assets other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation, amounts could be made available if necessary.

### 10. Operating Leases

The School has a sublease agreement for a period of five years terminating on June 30, 2028. The sublease may be renewed for an additional five years with the same terms. The rate of rent will increase during the term of the lease by approximately 3% annually.

ROU asset consists of the following at June 30:

|                                       | 2024          | 2023          |
|---------------------------------------|---------------|---------------|
| ROU asset                             | \$ 12,577,196 | \$ 12,577,196 |
| Accumulated amortization              | (3,949,199)   | (1,945,361)   |
|                                       | \$ 8,627,997  | \$ 10,631,835 |
| Weighted average remaining lease term | 4 years       |               |
| Weighted average discount rate        | 2.90%         |               |

## Middle Village Preparatory Charter School

Notes to Financial Statements  
June 30, 2024 and 2023

### 10. Operating Leases *(continued)*

The rental expense totaled \$2,289,839 and \$2,289,417 for the years ended June 30, 2024 and 2023. Cash paid for the lease amounted to \$2,961,352 and \$1,989,824 for the years ended June 30, 2024 and 2023. There were no care and maintenance fees for the years ended June 30, 2024 and 2023.

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

|                                  |                     |
|----------------------------------|---------------------|
| 2025                             | \$ 2,082,707        |
| 2026                             | 2,152,787           |
| 2027                             | 2,224,967           |
| 2028                             | <u>2,299,319</u>    |
| Total minimum lease payments     | 8,759,780           |
| Present value discount           | <u>(491,882)</u>    |
| Present value of lease liability | <u>\$ 8,267,898</u> |

### 11. Employee Benefit Plan

The School maintains a deferred compensation plan for all qualified employees. The School elects to make contributions to the plan on a discretionary basis. For the years ended June 30, 2024 and 2023, the School expended and contributed \$155,120 and \$106,907 to the plan.

\* \* \* \* \*

**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  
Middle Village Preparatory Charter School**

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 Middle Village Preparatory Charter School (the "School"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 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*

October 17, 2024