
**NEW WORLD PREPARATORY CHARTER
SCHOOL AND SUBSIDIARY**

**Consolidated Financial Statements
with Supplementary Information**

For the years ended June 30, 2024 and 2023

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidated Financial Statements
June 30, 2024 and 2023

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Independent Auditor's Report

To the Board of Trustees of
New World Preparatory Charter School and Subsidiary

Report on the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New World Preparatory Charter School and Subsidiary 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of New World Preparatory Charter School and Subsidiary 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.

Responsibility of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 consolidated 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 New World Preparatory Charter School and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New World Preparatory Charter School and Subsidiary'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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying supplementary financial information from page 19 to 25 is presented for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of New World Preparatory Charter School and Subsidiary’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 New World Preparatory Charter School and Subsidiary’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 New World Preparatory Charter School and Subsidiary’s internal control over financial reporting and compliance.

NChing LLP

New York, New York
October 30, 2024

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**Consolidated Statements of Financial Position**

As of June 30,

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 6,985,816	\$ 9,587,252
Grants receivable	1,576,870	545,648
Security deposits	33,333	33,333
Prepaid expenses	-	6,362
Total current assets	<u>8,596,019</u>	<u>10,172,595</u>
Property and equipment, net	59,508,640	31,952,024
Operating lease right-of-use assets	1,565,627	2,293,567
Other assets		
Restricted cash and escrow reserves	7,861,893	29,769,062
Other escrow	777,865	-
Total assets	<u><u>\$ 78,310,044</u></u>	<u><u>\$ 74,187,248</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 514,438	\$ 706,321
Accrued salaries and other payroll-related expenses	1,494,071	1,549,935
Construction costs payable	3,182,022	1,408,575
Bonds payable - current portion	820,000	775,000
Short-term operating lease liabilities	803,987	727,941
Refundable advances	297,886	527,027
Total current liabilities	<u>7,112,404</u>	<u>5,694,799</u>
Long term liabilities		
Long-term operating lease liabilities	761,640	1,565,626
Bonds payable, net	<u>52,037,118</u>	<u>52,904,214</u>
Total liabilities	<u>59,911,162</u>	<u>60,164,639</u>
Net assets		
Net assets without donor restrictions		
Undesignated	18,242,086	13,921,077
Reserve - contingency	106,796	101,532
Net assets with donor restrictions	<u>50,000</u>	<u>-</u>
Total net assets	<u>18,398,882</u>	<u>14,022,609</u>
Total liabilities and net assets	<u><u>\$ 78,310,044</u></u>	<u><u>\$ 74,187,248</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidated Statements of Activities

For the years ended June 30,

	2024		2023	
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions
<u>Operating revenue and other support</u>				
State and local per pupil operating revenue				
General education	\$ 14,669,708	\$ -	\$ 14,669,708	\$13,077,805
Special education	2,978,343	-	2,978,343	2,789,385
Facility lease assistance	759,010	-	759,010	2,014,832
Total state and local per pupil operating revenue	18,407,061	-	18,407,061	17,882,022
Grants, contract and other support				
State and local grants	69,783	-	69,783	59,921
Federal grants	1,735,044	-	1,735,044	1,250,079
Contributions	344,694	50,000	394,694	255,628
Interest and other income	1,694,724	-	1,694,724	1,288,445
Total operating revenue and other support	22,251,306	50,000	22,301,306	20,736,095
<u>Expenses</u>				
Program expenses				
Regular education	12,889,685	-	12,889,685	12,566,814
Special education	3,156,043	-	3,156,043	3,138,034
Total program expenses	16,045,728	-	16,045,728	15,704,848
Supporting services				
Management and general	1,755,613	-	1,755,613	1,887,407
Fundraising	123,692	-	123,692	99,963
Total program and supporting services expenses	17,925,033	-	17,925,033	17,692,218
Change in net assets	4,326,273	50,000	4,376,273	3,043,877
Net assets - beginning of year	14,022,609	-	14,022,609	10,978,732
Net assets - end of year	<u>\$ 18,348,882</u>	<u>\$ 50,000</u>	<u>\$ 18,398,882</u>	<u>\$14,022,609</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidated Statement of Functional Expenses

For the year ended June 30, 2024

	No. of positions	Program expenses			Supporting services		Total Program and Supporting Services
		Regular education	Special education	Total programs	Fundraising	Management and general	
Salaries							
Instructional personnel	120	\$ 6,291,203	\$ 1,704,310	\$ 7,995,513	-	-	\$ 7,995,513
Administrative staff personnel	10	802,470	27,174	829,644	-	445,184	1,274,828
Non-instructional personnel	10	417,854	14,150	432,004	-	231,812	663,816
Total salaries	140	7,511,527	1,745,634	9,257,161	-	676,996	9,934,157
Operating expenses							
Payroll taxes and fringe benefits		1,576,522	366,374	1,942,896	-	142,088	2,084,984
Retirement		158,581	36,853	195,434	-	14,293	209,727
Contracted services		144,746	34,177	178,923	-	471,692	650,615
Administrative		76,254	17,721	93,975	-	6,873	100,848
Marketing and recruitment		107,494	24,981	132,475	-	9,688	142,163
Legal and professional fees		36,926	6,924	43,850	-	61,916	105,766
Other purchase/professional/consulting		101,197	23,518	124,715	120,000	9,121	253,836
Insurance		81,021	18,829	99,850	-	106,151	206,001
Repairs and maintenance		659,648	153,298	812,946	-	59,452	872,398
Occupancy		821,049	190,807	1,011,856	-	73,999	1,085,855
School and staff development		250,324	58,174	308,498	-	22,561	331,059
Student services		9,072	158,164	167,236	-	1,163	168,399
Food service		290,942	82,061	373,003	-	-	373,003
Supplies and instructional materials		270,143	62,780	332,923	-	24,347	357,270
Equipment and furnishing		112,088	26,049	138,137	-	10,102	148,239
Technology		81,227	18,877	100,104	-	7,321	107,425
Utilities		199,101	46,270	245,371	-	17,944	263,315
Interest expense		58,654	-	58,654	-	-	58,654
Depreciation		278,631	59,036	337,667	-	22,893	360,560
Other expenses		64,538	25,516	90,054	3,692	17,013	110,759
Total operating expenses		5,378,158	1,410,409	6,788,567	123,692	1,078,617	7,990,876
Total expenses		\$ 12,889,685	\$ 3,156,043	\$ 16,045,728	\$ 123,692	\$ 1,755,613	\$ 17,925,033

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidated Statement of Functional Expenses

For the year ended June 30, 2023

	No. of positions	Program expenses			Supporting services		Total Program and Supporting Services
		Regular education	Special education	Total programs	Fundraising	Management and general	
Salaries							
Instructional personnel	110	\$ 5,984,793	\$ 1,663,156	\$ 7,647,949	-	-	\$ 7,647,949
Administrative staff personnel	11	821,371	28,532	849,903	-	462,131	1,312,034
Non-instructional personnel	9	441,763	15,346	457,109	-	248,551	705,660
Total salaries	130	7,247,927	1,707,034	8,954,961	-	710,682	9,665,643
Operating expenses							
Payroll taxes and fringe benefits		1,520,782	358,175	1,878,957	-	149,118	2,028,075
Retirement		141,220	33,260	174,480	-	13,847	188,327
Contracted services		144,746	34,177	178,923	-	556,850	735,773
Administrative		78,794	18,558	97,352	-	7,726	105,078
Marketing and recruitment		85,467	20,129	105,596	-	8,380	113,976
Legal and professional fees		85,504	19,415	104,919	-	44,944	149,863
Other purchase/professional/consulting		72,082	13,689	85,771	-	5,699	91,470
Insurance		146,507	34,505	181,012	-	96,776	277,788
Repairs and maintenance		557,817	131,377	689,194	-	54,696	743,890
Occupancy		865,187	190,004	1,055,191	-	99,336	1,154,527
School and staff development		304,856	71,800	376,656	-	29,892	406,548
Student services		11,155	194,490	205,645	-	1,430	207,075
Food service		248,948	70,216	319,164	-	-	319,164
Supplies and instructional materials		367,519	86,558	454,077	-	36,036	490,113
Equipment and furnishing		92,518	21,790	114,308	-	9,072	123,380
Technology		51,991	12,245	64,236	-	5,098	69,334
Utilities		136,459	32,139	168,598	-	13,380	181,978
Interest expense		58,653	-	58,653	-	-	58,653
Depreciation		271,194	58,078	329,272	-	24,179	353,451
Other expenses		77,488	30,395	107,883	99,963	20,266	228,112
Total operating expenses		5,318,887	1,431,000	6,749,887	99,963	1,176,725	8,026,575
Total expenses		\$ 12,566,814	\$ 3,138,034	\$ 15,704,848	\$ 99,963	\$ 1,887,407	\$ 17,692,218

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**Consolidated Statements of Cash Flows**

For the years ended June 30,

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 4,376,273	\$ 3,043,877
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	360,560	353,451
Amortization of debt issuance costs	58,654	58,653
Amortization of operating lease right-of-use assets	727,940	505,250
Changes in operating assets and liabilities		
Grants receivable	(1,031,222)	233,280
Prepaid expenses	6,362	115,307
Accounts payable and accrued expenses	(191,883)	249,834
Accrued salaries and other payroll-related expenses	(55,864)	(171,824)
Operating lease liabilities	(727,940)	(505,250)
Refundable advances	(229,141)	223,925
Net cash provided by operating activities	<u>3,293,739</u>	<u>4,106,503</u>
Cash flows from investing activities		
Acquisition of fixed assets	(26,249,479)	(14,551,202)
Other escrow	(777,865)	-
Net cash used in investing activities	<u>(27,027,344)</u>	<u>(14,551,202)</u>
Cash flows from financing activities		
Repayment of bonds payable	(775,000)	-
Net cash used in financing activities	<u>(775,000)</u>	<u>-</u>
Net change in cash, cash equivalents and restricted cash	(24,508,605)	(10,444,699)
Cash, cash equivalents and restricted cash - beginning of year	<u>39,356,314</u>	<u>49,801,013</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 14,847,709</u>	<u>\$ 39,356,314</u>
Cash, cash equivalents and restricted cash as reported within the consolidated statements of financial position		
Cash and cash equivalents	\$ 6,985,816	\$ 9,587,252
Restricted cash and escrow reserves	7,861,893	29,769,062
	<u>\$ 14,847,709</u>	<u>\$ 39,356,314</u>
Supplemental disclosure		
Cash paid for interest (capitalized)	<u>\$ 2,088,619</u>	<u>\$ 2,088,619</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

Note 1 Organization

New World Preparatory Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Staten Island, New York. The School was granted a five-year charter in 2010 and commenced sixth grade classes in September 2010. Seventh and eighth grade classes were added in 2011 and 2012 school year. The School was granted the expansion from kindergarten to fifth grade under its second charter renewal for an additional five years effective January 9, 2018. In September 2018, fifth grade was added, followed by kindergarten and first grade in 2019. Second, third and fourth grades were subsequently added each year during 2020 to 2022, making it a kindergarten through eighth grade school. The School provides an exceptional education for students by employing research-proven strategies to raise middle school academic achievement including academic rigor and relevance, personalization, focused professional development, and meaningful engagement of families and the larger community. The School’s charter was renewed in 2023 for another 5 year term through July 31, 2028.

Friends of New World Prep, Inc. (the “Friends of NWP”), is a non-profit organization, founded in September 2018 under Section 402 of the Not-for-Profit Corporate Law of the State of New York. Friends of NWP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The board of trustees of the School has control over the board of trustees of Friends of NWP and as a result the two entities are being consolidated.

From hereon in, the School and Friends of NWP are referred to as the “Organization”.

Note 2 Summary of significant accounting policies

Principles of consolidation. The financial statements are consolidated to include the accounts of the School and the Friends of NWP. All significant intercompany transactions and balances have been eliminated in the consolidation.

Basis of presentation and use of estimates. The consolidated financial statements have been prepared in conformity 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating risk. The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measure, the Organization cannot reasonably estimate the impact to future results of operations.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 Summary of significant accounting policies - (continued)

Cash and cash equivalents. The Organization considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

Financial statements presentation. The consolidated financial statements of the Organization follows the accounting standard for not-for-profit organization, which require the Organization to report information regarding its consolidated statements of financial position and consolidated statements of activities according to the following net asset classifications:

Net Assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net Assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net asset without donor restrictions in the consolidated statements of activities.

Revenue recognition. The Organization recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue are recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Grants receivable. Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the Organization's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$1,576,870 and \$545,648 at June 30, 2024 and 2023, respectively. There is no allowance recorded at June 30, 2024 and 2023 as all amounts are deemed collectible.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 Summary of significant accounting policies - (continued)

Reserve contingency. Under the provisions of its charter, the Organization established an escrow amount to pay for legal and audit expenses that would be associated with dissolution, should such event occur.

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The Organization capitalizes additions and significant improvements in excess of \$1,000. Items with an acquisition cost of less than \$1,000 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful Life</u>
Building	39 years
Furniture and fixtures	7 years
Leasehold improvements	5 years
Computer and office equipment	3 years

Construction-in-progress at June 30, 2024 and 2023 consists of costs incurred for architecture, engineering, and professional fees related to the construction of the Organization's new facility. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

Leases. As of July 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which was amended in some respects by subsequent ASUs, collectively Accounting Standards Codification 842 (ASC 842), and supersedes existing lease guidance. The standard requires the Organization to record operating lease right-of-use assets and corresponding lease liabilities on the statement of financial position and disclose key quantitative and qualitative information about lease contracts.

Under ASC 842, the Organization determines if a contract is a leasing arrangement at inception. Operating lease right-of-use assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses the risk-free rate of return. The Organization recognized operating lease expense for operating leases on a straight-line basis over the lease term.

The Organization rents spaces and office equipment under various non-cancelable operating leases. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 Summary of significant accounting policies - (continued)

Refundable advances. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying consolidated statements of financial position.

Donated goods and services. The Organization receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying consolidated statements of activities, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

The Organization received donated transportation and food service services from the local district. The Organization was unable to determine a value for these services.

Functional expenses. The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services, administrative and fundraising. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Financial and administrative	Time and effort
Insurance	Square Footage
Repairs and maintenance	Time and effort
Building, equipment leasing and furnishings	Square Footage

Income taxes. The School and Friends of NWP are tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and have been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2024, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying consolidated financial statements.

The Organization is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2021.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

Note 2 Summary of significant accounting policies - (continued)

Recently adopted accounting pronouncements. On July 1, 2023, the Organization adopted Financial Accounting Standards Board (“FASB”) ASU 2016-13 *Financial Instruments - Credit Losses* (Topic 326). Financial assets which potentially subject the Organization to credit losses consist primarily of accounts receivable. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions.

The Organization collects per pupil revenue from the district from which the students are residents of and attending the Organization. The Organization has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages for different aging categories (61–90 days past due, and more than 90 days past due). Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at June 30, 2024 and 2023 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information.

Note 3 Liquidity and availability

Financial Assets:	2024	2023
Cash and cash equivalents	\$ 6,985,816	\$ 9,587,252
Grants receivable	1,576,870	545,648
Amount available for general expenditure within one year	\$ 8,562,686	\$ 10,132,900

Note 4 Accrued salaries and other payroll-related expenses

Accrued salaries and other payroll-related expenses consist of amounts earned by the staff during the school year which are paid out over the summer months. For the years ended June 30, 2024 and 2023, accrued bonuses relating to a retention plan were approximately \$125,000 and \$316,045, respectively. Also included in accrued salaries and other payroll-related expenses is accrued salary of \$1,369,071 and \$1,233,890 as of June 30, 2024 and 2023, respectively.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**Notes to the Consolidated Financial Statements**

June 30, 2024 and 2023

Note 5 Property and equipment

Property and equipment consist of the following as of June 30,:

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 1,536,539	\$ 1,430,142
Land	1,919,232	1,919,232
Building	959,356	959,356
Furniture and fixtures	371,485	371,485
Computer equipment	1,866,395	1,815,770
Office equipment	97,982	83,909
Construction-in-progress	<u>56,203,365</u>	<u>28,457,284</u>
	62,954,354	35,037,178
Less, accumulated depreciation	<u>(3,445,714)</u>	<u>(3,085,154)</u>
	<u>\$ 59,508,640</u>	<u>\$ 31,952,024</u>

Note 6 Restricted cash and escrow reserves

Restricted cash and escrow reserve accounts as of June 30, are as follows:

	<u>2024</u>	<u>2023</u>
Debt service reserve fund	\$ 2,888,518	\$ 2,915,196
Project fund	2,704,892	25,291,303
Capitalized interest fund	2,101,515	1,420,160
Repair and replacement fund	60,172	40,871
Reserve - contingency	<u>106,796</u>	<u>101,532</u>
	<u>\$ 7,861,893</u>	<u>\$ 29,769,062</u>

Note 7 Retirement plan

The Organization offers a 401(k) plan for all qualifying employees. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The Organization matches 100% of an employee's contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2024 and 2023, the Organization's matching contribution was \$209,727 and \$188,327, respectively. Such plan assets are held in a separate trust and are not included in the accompanying consolidated financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

Note 8 Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The management of the Organization believes it is not exposed to significant credit risk on cash and cash equivalents.

The Organization received approximately 83% and 86% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York State Department of Education during the years ended June 30, 2024 and 2023, respectively. Additionally, the Organization's grants receivable as of June 30, 2024 and 2023 consists of 56% and 100%, respectively, from the New York State Department of Education.

Note 9 Operating lease

The Organization rents spaces and office equipment under various non-cancelable operating leases.

The Organization determines if an arrangement is a lease at the inception of a contract, and recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

Operating expenses for the leasing activity of the Organization as lessee for the years ended June 30, 2024 and 2023 are as follows:

Lease type	2024	2023
Operating lease costs	\$ 793,613	\$ 585,313
Short-term lease costs	386,196	653,430
	\$ 1,179,809	\$ 1,238,743

For the years ended June 30, 2024 and 2023, rent expense was \$1,179,809 and \$1,238,743 respectively, and is included in occupancy, equipment and furnishings on the accompanying statements of functional expenses.

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2024, and a reconciliation to operating lease liabilities reported on the statements of financial position:

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

Note 9 Operating lease - (continued)

2025	\$ 848,870
2026	302,949
2027	230,439
2028	233,607
2029	<u>39,093</u>
Total lease payments	1,654,958
Less interest	<u>(89,331)</u>
Present value of lease liabilities	<u>\$ 1,565,627</u>

Operating lease terms and discount rate at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (years)	2.06	3.06
Weighted average discount rate	2.86%	2.86%

The following summarizes cash paid for operating lease liabilities and other non-cash information as of June 30, 2024 and 2023:

Cash paid for amounts included in	<u>2024</u>	<u>2023</u>
measurement of operating lease liabilities	\$ 793,613	\$ 585,313
Operating lease right-of-use assets obtained		
in exchange for operating lease obligations	\$ -	\$ 2,798,817

Note 10 Master lease

The School has entered into a master lease agreement with the Friends of NWP for its rental space for a period of 40 years commencing May 1, 2020. The School is required to pay rent as defined in the master lease agreement. The rent expense is calculated on a straight-line basis over the term of the lease. At June 30, 2024 and 2023, deferred rent payable is \$1,871,201, represents the excess of the rent expense recognized over the actual rent paid. Rent expense under the master lease and deferred rent payable were eliminated on the consolidated financial statements. Due to the uncertainty for the amount of lease assistance from New York City Department of Education, both the School and Friends of NWP agree to put the master lease on hold effective July 1, 2023.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

Note 11 Contingency

The Organization participates in a number of federal and state programs. These programs require that the Organization comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying consolidated financial statements.

Note 12 Bonds payable

On June 15, 2021, Build NYC Resource Corporation provided construction and permanent financing of \$52,125,000 through the issuance of \$51,160,000 in Tax-Exempt Revenue Bonds (the “Series 2021A Bonds”), bearing interest at 2.75% to 3.30% per annum, with principal due at varying amounts annually through maturity on June 15, 2056, and \$965,000 in Taxable Revenue Bonds bearing interest at 4.375% per annum which will be repaid in varying amounts through maturity on June 15, 2025. The proceeds of the bonds will be used to construct a three-story building at Staten Island, New York, to be used as classroom and administration space.

Future minimum principal payments for the next five years and in the aggregate thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 820,000
2026	850,000
2027	885,000
2028	920,000
2029	960,000
Thereafter	<u>46,915,000</u>
Total	51,350,000
Less: current portion	(820,000)
Add: unamortized bond issuance costs and issuance premium, net	<u>1,507,118</u>
Long-term bonds payable, net	<u><u>\$ 52,037,118</u></u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

Note 13 Net assets

Net assets with donor restrictions are restricted for the construction of new school facility. Net assets with donor restrictions as of June 30, 2024 and 2023 are \$50,000 and \$-, respectively.

Note 14 Other escrow

In June 2023, Metro Environmental Services LLC (MES) filed a Notice Under Mechanic's Lien Law against the property in connection with the construction of the new school facility in the principal amount of \$707,150. In August 2023, the Organization established an escrow account of \$777,865 with Suretec Insurance Company to address the lien. In August 2024, the Organization and MES entered into a settlement agreement for this lien. The Organization paid \$300,000 to MES and acknowledged the in-kind service of \$407,150 provided by MES. The lien was discharged. Additionally, the Organization received the full escrow amount from Suretec Insurance Company.

Note 15 Subsequent events

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through October 30, 2024, the date that the consolidated financial statements were available to be issued. There were no events requiring adjustments or disclosure to the consolidated financial statements.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position
As of June 30, 2024

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 6,834,157	\$ 151,659	\$ -	\$ 6,985,816
Grants receivable	1,576,870	-	-	1,576,870
Due from affiliate	-	960,830	(960,830)	-
Security deposits	33,333	-	-	33,333
Deferred rents receivable	-	1,871,201	(1,871,201)	-
Total current assets	8,444,360	2,983,690	(2,832,031)	8,596,019
Property and equipment, net	549,678	58,958,962	-	59,508,640
Operating lease right-of-use assets	136,663	1,428,964	-	1,565,627
Other assets				
Restricted cash and escrow reserves	106,796	7,755,097	-	7,861,893
Other escrow	-	777,865	-	777,865
Total assets	<u>\$ 9,237,497</u>	<u>\$ 71,904,578</u>	<u>\$ (2,832,031)</u>	<u>\$ 78,310,044</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position - continued
As of June 30, 2024

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued expenses	\$ 479,438	\$ 35,000	\$ -	\$ 514,438
Construction costs payable	-	3,182,022	-	3,182,022
Due to affiliate	960,830	-	(960,830)	-
Deferred rents payable	1,871,201	-	(1,871,201)	-
Accrued salaries and other payroll-related expenses	1,494,071	-	-	1,494,071
Bonds payable - current portion	-	820,000	-	820,000
Short-term operating lease liabilities	98,885	705,102	-	803,987
Refundable advances	247,886	50,000	-	297,886
Total current liabilities	<u>5,152,311</u>	<u>4,792,124</u>	<u>(2,832,031)</u>	<u>7,112,404</u>
Long term liabilities				
Long-term operating lease liabilities	37,778	723,862	-	761,640
Bonds payable, net	-	52,037,118	-	52,037,118
Total liabilities	<u>5,190,089</u>	<u>57,553,104</u>	<u>(2,832,031)</u>	<u>59,911,162</u>
Net assets				
Net assets without donor restrictions				
Undesignated	3,890,612	14,351,474	-	18,242,086
Reserve - contingency	106,796	-	-	106,796
Net assets with donor restrictions	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total net assets	<u>4,047,408</u>	<u>14,351,474</u>	<u>-</u>	<u>18,398,882</u>
Total liabilities and net assets	<u>\$ 9,237,497</u>	<u>\$ 71,904,578</u>	<u>\$ (2,832,031)</u>	<u>\$ 78,310,044</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position
As of June 30, 2023

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 7,687,621	\$ 1,899,631	\$ -	\$ 9,587,252
Grants receivable	545,648	-	-	545,648
Due from affiliate	-	3,889,417	(3,889,417)	-
Security deposits	33,333	-	-	33,333
Prepaid expenses	6,362	-	-	6,362
Deferred rents receivable	-	1,871,201	(1,871,201)	-
Total current assets	<u>8,272,964</u>	<u>7,660,249</u>	<u>(5,760,618)</u>	<u>10,172,595</u>
Property and equipment, net	714,545	31,237,479	-	31,952,024
Operating lease right-of-use assets	1,253,181	1,040,386	-	2,293,567
Other assets				
Restricted cash and escrow reserves	<u>101,532</u>	<u>29,667,530</u>	<u>-</u>	<u>29,769,062</u>
Total assets	<u><u>\$ 10,342,222</u></u>	<u><u>\$ 69,605,644</u></u>	<u><u>\$ (5,760,618)</u></u>	<u><u>\$ 74,187,248</u></u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Position - continued
As of June 30, 2023

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued expenses	\$ 641,636	\$ 64,685	\$ -	\$ 706,321
Construction costs payable	-	1,408,575	-	1,408,575
Due to affiliate	3,889,417	-	(3,889,417)	-
Deferred rents payable	1,871,201	-	(1,871,201)	-
Accrued salaries and other payroll-related expenses	1,549,935	-	-	1,549,935
Bonds payable - current portion	-	775,000	-	775,000
Short-term operating lease liabilities	243,842	484,099	-	727,941
Refundable advances	527,027	-	-	527,027
Total current liabilities	<u>8,723,058</u>	<u>2,732,359</u>	<u>(5,760,618)</u>	<u>5,694,799</u>
Long term liabilities				
Long-term operating lease liabilities	1,009,339	556,287	-	1,565,626
Bonds payable, net	-	52,904,214	-	52,904,214
Total liabilities	<u>9,732,397</u>	<u>56,192,860</u>	<u>(5,760,618)</u>	<u>60,164,639</u>
Net assets				
Undesignated	508,293	13,412,784	-	13,921,077
Reserve - contingency	101,532	-	-	101,532
Total net assets without donor restrictions	<u>609,825</u>	<u>13,412,784</u>	<u>-</u>	<u>14,022,609</u>
Total liabilities and net assets	<u>\$ 10,342,222</u>	<u>\$ 69,605,644</u>	<u>\$ (5,760,618)</u>	<u>\$ 74,187,248</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidating Statement of Activities

For the year ended June 30, 2024

	NWPCS			Friends of NWP		Elimination	Consolidated
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions			
Operating revenue and other support							
State and local per pupil operating revenue							
General education	\$ 14,669,708	\$ -	\$ 14,669,708	\$ -	\$ -		\$ 14,669,708
Special education	2,978,343	-	2,978,343	-	-		2,978,343
Facility lease assistance	759,010	-	759,010	-	-		759,010
Total state and local per pupil operating revenue	18,407,061	-	18,407,061	-	-		18,407,061
Grants, contract and other support							
State and local grants	69,783	-	69,783	-	-		69,783
Federal grants	1,735,044	-	1,735,044	-	-		1,735,044
Contributions	344,694	50,000	394,694	-	-		394,694
Rental income	-	-	-	1,077,426	(1,077,426)		-
Interest and other income	522,030	-	522,030	1,172,694	-		1,694,724
Total operating revenue and other support	21,078,612	50,000	21,128,612	2,250,120	(1,077,426)		22,301,306
Expenses							
Program expenses							
Regular education	12,775,681	-	12,775,681	928,680	(814,676)		12,889,685
Special education	3,156,043	-	3,156,043	189,326	(189,326)		3,156,043
Total program expenses	15,931,724	-	15,931,724	1,118,006	(1,004,002)		16,045,728
Supporting services							
Management and general	1,755,613	-	1,755,613	73,424	(73,424)		1,755,613
Fundraising	3,692	-	3,692	120,000	-		123,692
Total program and supporting services expenses	17,691,029	-	17,691,029	1,311,430	(1,077,426)		17,925,033
Change in net assets	3,387,583	50,000	3,437,583	938,690	-		4,376,273
Net assets - beginning of year	609,825	-	609,825	13,412,784	-		14,022,609
Net assets - end of year	\$ 3,997,408	\$ 50,000	\$ 4,047,408	\$ 14,351,474	\$ -		\$ 18,398,882

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Consolidating Statement of Activities

For the year ended June 30, 2023

	NWPCS	Friends of NWP	Elimination	Consolidated
Operating revenue and other support				
State and local per pupil operating revenue				
General education	\$ 13,077,805	\$ -	\$ -	\$ 13,077,805
Special education	2,789,385	-	-	2,789,385
Facility lease assistance	2,014,832	-	-	2,014,832
Total state and local per pupil operating revenue	17,882,022	-	-	17,882,022
Grants, contract and other support				
State and local grants	59,921	-	-	59,921
Federal grants	1,250,079	-	-	1,250,079
Contributions	255,628	-	-	255,628
Rental income	-	4,931,042	(4,931,042)	-
Interest and other income	275,680	1,012,765	-	1,288,445
Total operating revenue and other support	19,723,330	5,943,807	(4,931,042)	20,736,095
Expenses				
Program expenses				
Regular education	15,510,709	754,387	(3,698,282)	12,566,814
Special education	3,875,460	150,162	(887,588)	3,138,034
Total program expenses	19,386,169	904,549	(4,585,870)	15,704,848
Supporting services				
Management and general	2,174,184	58,395	(345,172)	1,887,407
Fundraising	9,963	90,000	-	99,963
Total program and supporting services expenses	21,570,316	1,052,944	(4,931,042)	17,692,218
Change in net assets	(1,846,986)	4,890,863	-	3,043,877
Net assets without donor restrictions - beginning of year	2,456,811	8,521,921	-	10,978,732
Net assets without donor restrictions - end of year	\$ 609,825	\$ 13,412,784	\$ -	\$ 14,022,609

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Schedule of Debt Covenants

For the year ended June 30, 2024

	<u>Minimum Requirement</u>	<u>Actual</u>
Debt service coverage ratio	1.10	1.67
Days cash on hand	45	146

The debt service coverage ratio is calculated as follows:

Increase in net assets	\$ 4,376,273	
Add back: Interest expense (capitalized)	-	
Depreciation and amortization	419,214	
Net revenues available for debt service	<u>\$ 4,795,487</u>	
Debt service payments		
Interest expense (capitalized)	\$ 2,088,619	
Principal	775,000	
Total current debt service	<u>\$ 2,863,619</u>	
Net revenues available for debt service	<u>\$ 4,795,487</u>	
Total current debt service	<u>\$ 2,863,619</u>	= 1.67

The days cash on hand is calculated as follows:

Total expenses	\$ 17,925,033	
Less: Depreciation and amortization	(419,214)	
Net expenses	<u>17,505,819</u>	
Number of days	365	
Cash used per day	<u>\$ 47,961</u>	
Cash and cash equivalents at year end	<u>\$ 6,985,816</u>	
Cash used per day	<u>\$ 47,961</u>	= 146

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2024

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education				
<u>Pass-through New York State Education Department:</u>				
Title I Grants to Local Educational Agencies	84.010A	0021-24-4810	\$ -	\$ 212,923
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	0147-24-4810	-	33,784
English Language Acquisition State Grants	84.365A	0293-24-4810	-	16,688
Student Support and Academic Enrichment program	84.424A	0204-24-4810	-	30,864
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER3-ARP) Fund	84.425U	5880-21-4810	-	706,971
Total U.S. Department of Education			-	1,001,230
U.S. Department of Agriculture				
<u>Pass-through New York State Education Department:</u>				
School Breakfast Program	10.553	353100860984	-	88,441
National School Lunch Program	10.555	353100860984	-	374,822
Total Child Nutrition Cluster			-	463,263
Total U.S. Department of Agriculture			-	463,263
Total Expenditures of Federal Awards			\$ -	\$ 1,464,493

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2024

Note 1 Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of New World Preparatory Charter School and Subsidiary (the “Organization”) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 Summary of significant accounting policies

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The amounts reported as expenditures in this Schedule may differ from certain financial reports submitted to federal funding agencies, due to those reports being submitted on either the cash or modified cash basis of accounting.

Note 3 Indirect cost rate

The Organization has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
New World Preparatory Charter School and Subsidiary

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 consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2024.

Report on internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered New World Preparatory Charter School and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary'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 consolidated 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 New World Preparatory Charter School and Subsidiary’s consolidated 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 consolidated 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.

NChing LLP

New York, New York
October 30, 2024

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
New World Preparatory Charter School and Subsidiary

Report on compliance for each major federal program

Opinion on each major federal program

We have audited New World Preparatory Charter School and Subsidiary’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of New World Preparatory Charter School and Subsidiary’s major federal programs for the year ended June 30, 2024. New World Preparatory Charter School and Subsidiary’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, New World Preparatory Charter School and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for opinion on each major federal program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of New World Preparatory Charter School and Subsidiary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of New World Preparatory Charter School and Subsidiary’s compliance with the compliance requirements referred to above.

Responsibilities of management for compliance

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

Auditor's responsibilities for the audit of compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding New World Preparatory Charter School and Subsidiary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New World Preparatory Charter School and Subsidiary's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on internal control over compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

NChing LLP

New York, New York
October 30, 2024

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Schedule of Findings and Questioned Costs

For the year ended June 30, 2024

Schedule I – Summary of Auditor’s Results

Financial statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not Considered to be material weakness(es)?

yes no
 yes none reported

Noncompliance material to financial statements noted?

yes no

Federal awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not Considered to be material weakness(es)?

yes no
 yes none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance under Section 2CFR200.516(a)

yes no

Identification of major federal programs:

Federal

Assistance

<u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425U	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER3-ARP) Fund

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Schedule of Findings and Questioned Costs

For the year ended June 30, 2024

Section II – Financial Statements findings

None

Section III - Federal award findings and questioned costs

None

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2024

There were no prior audit findings.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Corrective Action Plan

For the year ended June 30, 2024

Corrective action plan is not applicable for the year ended June 30, 2024.