

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

QUEENS, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2024

(With Comparative Totals for 2023)



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Our World Neighborhood Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Our World Neighborhood Charter Schools, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Our World Neighborhood Charter Schools as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited Our World Neighborhood Charter Schools' June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024 on our consideration of Our World Neighborhood Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Our World Neighborhood Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 30, 2024

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

(With Comparative Totals for 2023)

	June 30,	
<u>ASSETS</u>	2024	2023
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,627,219	\$ 2,102,558
Grants and contracts receivable	1,483,714	1,735,102
Prepaid expenses	213,221	189,472
TOTAL CURRENT ASSETS	3,324,154	4,027,132
 <u>PROPERTY AND EQUIPMENT, net</u>	 3,356,648	 2,526,918
 <u>OTHER ASSETS</u>		
Cash in escrow	207,178	182,128
Deferred compensation investments	20,349	-
Security deposits	1,031,744	1,031,744
Right-of-use-assets - operating	125,562,146	44,766,029
TOTAL OTHER ASSETS	126,821,417	45,979,901
TOTAL ASSETS	\$ 133,502,219	\$ 52,533,951
 <u>LIABILITIES AND NET (DEFICIENCY) ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,000,462	\$ 1,037,156
Accrued payroll and benefits	2,519,149	2,041,576
Deferred revenue	-	492,181
Current portion of lease liabilities - operating	511,931	1,487,034
TOTAL CURRENT LIABILITIES	4,031,542	5,057,947
 <u>OTHER LIABILITIES</u>		
Deferred compensation	20,349	-
Long-term lease liabilities - operating	131,569,090	46,745,808
TOTAL LIABILITIES	131,589,439	46,745,808
TOTAL LIABILITIES	135,620,981	51,803,755
 <u>NET (DEFICIENCY) ASSETS, without donor restrictions</u>	 (2,118,762)	 730,196
TOTAL LIABILITIES AND NET (DEFICIENCY) ASSETS	\$ 133,502,219	\$ 52,533,951

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	Without donor restrictions	
	Year ended June 30,	
	2024	2023
Revenue, gains and other support:		
Public school district		
Resident student enrollment	\$ 24,444,053	\$ 20,058,359
Students with disabilities	2,227,858	1,600,344
Grants and contracts		
State and local	232,467	128,594
Federal - Title and IDEA	498,048	389,644
Federal - Other	1,209,193	2,208,502
NYC DOE rental assistance	3,303,138	2,341,919
Food service / child nutrition program	225,560	369,790
	TOTAL REVENUE, GAINS AND OTHER SUPPORT	32,140,317
	32,140,317	27,097,152
Expenses:		
Program services:		
Regular education	28,337,422	22,584,363
Special education	2,041,314	1,905,987
Total program services	30,378,736	24,490,350
Management and general	5,230,054	4,600,111
Fundraising and special events	122,395	201,758
	TOTAL OPERATING EXPENSES	35,731,185
	35,731,185	29,292,219
	DEFICIT FROM SCHOOL OPERATIONS	(3,590,868)
	(3,590,868)	(2,195,067)
Support and other revenue:		
Contributions	703,625	462,020
Interest income	3,211	89
Other income	35,074	27,210
	TOTAL SUPPORT AND OTHER REVENUE	741,910
	741,910	489,319
	CHANGE IN NET ASSETS	(2,848,958)
	(2,848,958)	(1,705,748)
Net assets at beginning of year	730,196	2,435,944
	NET (DEFICIENCY) ASSETS AT END OF YEAR	\$ 730,196
	\$ (2,118,762)	\$ 730,196

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

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

	No. of Positions	Year ended June 30,							2023
		2024			2023				
		Program Services			Supporting Services				
	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total	
Personnel services costs:									
Administrative staff personnel	40	\$ 1,932,307	\$ 255,725	\$ 2,188,032	\$ 1,797,135	\$ 94,114	\$ 1,891,249	\$ 4,079,281	\$ 4,478,516
Instructional personnel	153	10,977,717	1,373,930	12,351,647	-	-	-	12,351,647	9,992,698
Non-instructional personnel	2	143,990	-	143,990	-	-	-	143,990	142,020
Total personnel services costs	195	13,054,014	1,629,655	14,683,669	1,797,135	94,114	1,891,249	16,574,918	14,613,234
Fringe benefits and payroll taxes		2,519,944	293,299	2,813,243	367,315	19,249	386,564	3,199,807	2,830,839
Retirement		492,952	81,864	574,816	124,049	5,571	129,620	704,436	693,575
Legal service		-	-	-	30,405	-	30,405	30,405	26,734
Accounting / audit services		-	-	-	86,949	-	86,949	86,949	69,671
Other purchased / professional / consulting services		1,334,951	-	1,334,951	332,317	-	332,317	1,667,268	2,055,879
Building and land rent / lease / facility finance interest		6,796,239	-	6,796,239	1,673,055	-	1,673,055	8,469,294	4,470,373
Repairs and maintenance		699,715	-	699,715	190,885	-	190,885	890,600	689,382
Insurance		182,176	-	182,176	43,592	-	43,592	225,768	201,498
Utilities		591,793	250	592,043	157,665	456	158,121	750,164	623,555
Supplies / materials		414,617	11,215	425,832	1,083	-	1,083	426,915	433,166
Equipment / furnishings		77,927	-	77,927	17,260	-	17,260	95,187	56,765
Staff development		408,198	5,269	413,467	14,492	-	14,492	427,959	317,010
Marketing / recruitment		215,262	-	215,262	15,214	-	15,214	230,476	270,904
Technology		232,097	297	232,394	80,552	278	80,830	313,224	368,031
Food service		315,637	-	315,637	-	-	-	315,637	481,338
Student services		30,166	-	30,166	-	-	-	30,166	38,497
Office expense		207,301	350	207,651	189,338	243	189,581	397,232	350,417
Depreciation		636,423	766	637,189	62,978	-	62,978	700,167	583,891
Other		128,010	18,349	146,359	45,770	2,484	48,254	194,613	117,460
		<u>\$ 28,337,422</u>	<u>\$ 2,041,314</u>	<u>\$ 30,378,736</u>	<u>\$ 5,230,054</u>	<u>\$ 122,395</u>	<u>\$ 5,352,449</u>	<u>\$ 35,731,185</u>	<u>\$ 29,292,219</u>

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

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

	Year ended June 30,	
	2024	2023
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (2,848,958)	\$ (1,705,748)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	700,167	583,891
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	251,388	(506,635)
Prepaid expenses	(23,749)	288,408
Accounts payable and accrued expenses	(36,694)	778,512
Accrued payroll and benefits	477,573	361,516
Deferred revenue	(492,181)	356,980
Deferred lease liabilities	-	(3,192,280)
Operating lease liabilities, net of right-of-use assets	3,052,062	3,466,813
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,079,608	431,457
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(1,529,897)	(1,413,538)
Security deposits	-	(68,383)
NET CASH USED FOR INVESTING ACTIVITIES	(1,529,897)	(1,481,921)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(450,289)	(1,050,464)
Cash, cash equivalents, and restricted cash at beginning of year	2,284,686	3,335,150
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	\$ 1,834,397	\$ 2,284,686
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</u>		
Reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 1,627,219	\$ 2,102,558
Cash in escrow	207,178	182,128
	\$ 1,834,397	\$ 2,284,686

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

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

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

The Charter School

Our World Neighborhood Charter Schools is an education corporation that has authority to operate the Charter Schools as described below. The education corporation was organized to increase learning opportunities for students through innovative educational programs and to enable parents to be more involved in their children's education.

Our World Neighborhood Charter School ("OWN") is a charter school that operates under the education corporation in the borough of Queens, New York. On July 18, 2012, the Board of Regents of the University of the State of New York granted OWN a charter valid for a term of five years. The charter has been renewed multiple times, most recently on April 27, 2023, when the School was granted an additional renewal through July 2028.

On June 13, 2016, the Board of Regents of the University of the State of New York amended the OWN charter agreement permitting additional charter schools under OWN's education corporation. During the 2017 fiscal year, OWN added Our World Neighborhood Charter School 2 ("OWN 2") under its expanded charter. The charter was most recently renewed on April 27, 2023 to be effective through July 2028.

On October 18, 2018, the Board of Regents of the University of the State of New York approved an additional charter school, Our World Neighborhood Charter School 3 ("OWN 3"), to operate under the OWN education corporation. The school opened for students in Fall 2022. The charter is valid until July 2027.

Basis of presentation

The accompanying financial statements include the accounts of OWN, OWN 2 and OWN 3 (collectively referred to as the "Charter Schools"). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Financial Statement presentation

The financial statements of the Charter Schools have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter Schools report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter Schools had no net assets with donor restrictions at June 30, 2024 or 2023.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

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

Net Assets Without Donor Restrictions – The net assets over which the Board of Trustees has discretionary control to use in carrying on the Charter Schools' operations in accordance with the guidelines established by the Charter Schools. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Revenue recognition

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

The Charter Schools record substantially all revenues over time as follows:

Public school district revenue

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

Rental assistance

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

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

	June 30,		
	2024	2023	2022
Grants and contracts receivable	\$ 139,019	\$ 62,907	\$ 6,975

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

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

Contributions

The Charter Schools recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. No contributions were deferred at June 30, 2024 and 2023.

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

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

Grant revenue

Some of the Charter Schools' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter Schools have incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position and amounted to \$492,181 at June 30, 2023. There were no amounts received prior to incurring qualifying expenditures at June 30, 2024. The Charter Schools received cost-reimbursement grants of approximately \$330,000 and \$666,600 that have not been recognized at June 30, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and certain money market account balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Charter Schools consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In the normal course of business, the cash and cash equivalent account balances at any given time may exceed insured limits. However, the Charter Schools have not experienced any losses in such accounts and do not believe they are exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Charter Schools maintain cash in escrow accounts, in accordance with the terms of the Charter Agreements. A portion of the account is invested in a certificate of deposit with a maturity date of one year or less. The escrow is restricted to fund legal and other costs related to the dissolution of the Charter Schools, should this become necessary. The amount in escrow was \$207,178 and \$182,128 at June 30, 2024 and 2023, respectively.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

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

Grants and contracts receivable

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

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

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which typically range from three to forty years.

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

Security deposits

Security deposits consist of payments to third parties in connection with facility lease agreements.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Tax exempt status

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

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

Contributed services

The Charter Schools receive contributed services from volunteers to serve on the Board of Trustees. In addition, the Charter Schools receive transportation services and a school nurse which were provided for the students from the local district. The Charter Schools were unable to determine a value for these services.

Use of estimates in the preparation of financial statements

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

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

Marketing and recruitment costs

The Charter Schools expense marketing and recruitment costs as they are incurred. Total marketing and recruiting costs approximated \$230,500 and \$270,900 for the years ended June 30, 2024 and 2023, respectively.

Comparatives for year ended June 30, 2023

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

Leases

The Charter Schools lease several buildings and equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and other liabilities on the accompanying statement of financial position.

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

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

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

Adoption of new accounting standard – current expected credit losses

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

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

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

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

Reclassifications

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

Subsequent events

The Charter Schools have conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 30, 2024, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter Schools regularly monitor liquidity required to meet their operating needs and other contractual commitments. The Charter Schools' main source of liquidity is their cash and cash equivalents accounts.

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter Schools anticipate collecting sufficient revenue to cover general expenditures not covered by donor-restricted 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, comprise the following:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,627,219	\$ 2,102,558
Grants and contracts receivable	<u>1,483,714</u>	<u>1,735,102</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 3,110,933</u>	<u>\$ 3,837,660</u>

As noted on the accompanying statement of financial position, the Charter Schools are in a net deficit position of approximately \$2,100,000 at June 30, 2024 and incurred a deficit of approximately \$2,850,000 during fiscal 2024. A significant portion of the loss related to non-cash activities, including depreciation of approximately \$700,000 and lease expense in excess of cash paid under the lease agreements of approximately \$3,052,000. As further described in Note A, the Charter Schools are eligible for rental assistance from NYCDOE for their facilities at OWN2 and OWN3. Future rental assistance payments are expected to cover future lease related costs and as a result management of the Charter Schools believe they will be able to meet their obligations as they arise.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2024	2023
Leasehold improvements	\$ 5,067,799	\$ 4,887,348
Equipment and furniture and fixtures	6,599,740	5,260,494
	11,667,539	10,147,842
Less accumulated depreciation	8,310,891	7,620,924
	\$ 3,356,648	\$ 2,526,918

Total depreciation expense was \$700,167 and \$583,891 for the years ended June 30, 2024 and 2023, respectively.

NOTE D: LEASES

The Charter Schools lease their school facilities under non-cancelable lease agreements expiring at various dates through June 2056. The Charter Schools lease office equipment under non-cancelable lease agreements expiring at various dates through October 2025. In addition to the above leases, the Charter Schools entered into two short-term lease agreements. The first agreement was entered into during fiscal 2023 and consisted of a temporary space for OWN3 at approximately \$56,200 per month from August 2022 through December 2022, then decreasing to \$38,800 per month through June 2023. The second agreement consisted of a temporary space for OWN middle school and required rent payments of approximately \$65,600 per month through June 30, 2023. Effective July 2023 OWN3 and the OWN middle school moved to permanent locations.

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

	Statement of Financial Position Classification	June 30,	
		2024	2023
<u>Assets</u>			
Operating Leases	Other assets	\$ 125,562,146	\$ 44,766,029
<u>Liabilities</u>			
Current:			
Operating Leases	Current liabilities	\$ 511,931	\$ 1,487,034
Long-term:			
Operating Leases	Other liabilities	131,569,090	46,745,808
		\$ 132,081,021	\$ 48,232,842

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

NOTE D: LEASES, Cont'd

The components of lease expense were as follows:

	Year ended June 30,	
	2024	2023
Operating lease cost	\$ 8,138,098	\$ 3,119,742
Short-term lease cost	\$ 65,588	\$ 1,363,866

As of June 30, 2024, minimum payments due for the above lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2025	\$ 5,235,066
2026	5,418,427
2027	6,027,955
2028	6,151,661
2029	6,453,072
Thereafter	194,798,288
Total lease payments	224,084,469
Less: Interest	(92,003,448)
Present value of lease liabilities	\$ 132,081,021

Supplemental information:

	Year ended June 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating leases	\$ 5,086,036	\$ 2,843,219
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Operating leases	\$ 84,205,890	\$ 46,384,123
Weighted-average remaining lease term:		
Operating leases	27.82 years	23.07 years
Weighted-average discount rate:		
Operating leases	3.64%	3.08%

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

NOTE E: RETIREMENT PLANS

The Charter Schools sponsor a 401(k) plan (the “Plan”) for its employees. All employees of the Charter Schools are eligible to participate. The Charter Schools match 100% of the employee’s contributions up to 3% of eligible compensation and makes a safe harbor contribution of 3% of eligible compensation per year. During the years ended June 30, 2024 and 2023, the Charter Schools contributed approximately \$704,400 and \$693,600, respectively, to the Plan.

Effective January 1, 2024, the Charter Schools established a IRS Section 457(b) Deferred Compensation Plan (the “457(b) Plan”) for certain officers of the Charter Schools including the Chief Executive Officer, Chief Academic Officer, and Chief Financial Officer. Officers become eligible upon completion of five years of employment. The 457(b) Plan permits contributions at any amount based on an allocation formula determined by the Charter Schools, up to the maximum amount allowed under IRS regulations, which is currently \$23,000. The officers are fully vested in any contributions to the 457(b) Plan. Contributions to the 457(b) Plan during the year ended June 30, 2024 totaled \$20,000. Total asset and liability of \$20,349 as of June 30, 2024 under this plan is included in deferred compensation investments and deferred compensation on the accompanying statement of financial position. Deferred compensation investments consist of target date retirement mutual funds.

NOTE F: CONTINGENCY

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

NOTE G: CONCENTRATIONS

At June 30, 2024, approximately 75% of grants and contracts receivable are due from New York State Department of Education relating to certain grants. During the year ended June 30, 2024, 81% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter Schools’ students are located.

At June 30, 2023, approximately 80% of grants and contracts receivable are due from New York State Department of Education relating to certain grants. During the year ended June 30, 2023, 80% of total operating revenue and support came from per-pupil funding. The per-pupil rate is set annually by the State based on the school district in which the Charter Schools’ students are located.

NOTE H: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses (including salaries, fringe benefits and payroll taxes, purchased services, occupancy costs, and supplies and materials) which are allocated to more than one program or supporting function are allocated on the basis of estimates of time, effort, and usage.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

NOTE I: NET (DEFICIENCY) ASSETS

Net (deficiency) assets without donor restrictions are as follows:

	June 30,	
	<u>2024</u>	<u>2023</u>
Undesignated net assets	\$ 1,043,465	\$ 1,670,091
Right of use assets, net of lease liabilities	(6,518,875)	(3,466,813)
Invested in property and equipment	<u>3,356,648</u>	<u>2,526,918</u>
	<u>\$ (2,118,762)</u>	<u>\$ 730,196</u>

There were no net assets with donor restrictions at June 30, 2024 and 2023.

NOTE J: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter Schools recognized \$325,887 and \$819,156 of revenue relative to ESSER grants during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024, the Charter Schools have approximately \$301,900 of ESSER grants available for expenditure through September 30, 2024.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Our World Neighborhood Charter Schools

We have audited the financial statements of Our World Neighborhood Charter Schools as of and for the year ended June 30, 2024, and have issued our report thereon dated October 30, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 30, 2024

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIENCY) BY CHARTER

YEAR ENDED JUNE 30, 2024

	<u>Our World Neighborhood Charter School</u>	<u>Our World Neighborhood Charter School 2</u>	<u>Our World Neighborhood Charter School 3</u>	<u>Eliminations</u>	<u>Total</u>
Revenue, gains, and other support:					
Public school district					
Resident student enrollment	\$ 13,004,436	\$ 7,873,313	\$ 3,566,304	\$ -	\$ 24,444,053
Students with disabilities	1,028,731	902,143	296,984	-	2,227,858
Grants and contracts					
State and local	197,260	26,863	8,344	-	232,467
Federal - Title and IDEA	235,022	199,226	63,800	-	498,048
Federal - Other	412,248	568,156	228,789	-	1,209,193
NYC DOE rental assistance	-	2,237,648	1,065,490	-	3,303,138
Food service / child nutrition program	<u>225,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,560</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	15,103,257	11,807,349	5,229,711	-	32,140,317
Expenses:					
Program services:					
Regular education	14,239,334	8,185,265	5,912,823	-	28,337,422
Special education	<u>1,101,129</u>	<u>323,682</u>	<u>616,503</u>	<u>-</u>	<u>2,041,314</u>
Total program services	15,340,463	8,508,947	6,529,326	-	30,378,736
Management and general	2,165,172	1,516,091	1,548,791	-	5,230,054
Fundraising and special events	<u>42,633</u>	<u>39,895</u>	<u>39,867</u>	<u>-</u>	<u>122,395</u>
TOTAL OPERATING EXPENSES	<u>17,548,268</u>	<u>10,064,933</u>	<u>8,117,984</u>	<u>-</u>	<u>35,731,185</u>
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(2,445,011)	1,742,416	(2,888,273)	-	(3,590,868)
Support and other revenue:					
Contributions	354,942	217,527	131,156	-	703,625
Interest income	1,614	1,597	-	-	3,211
Other income	<u>33,109</u>	<u>1,965</u>	<u>-</u>	<u>-</u>	<u>35,074</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>389,665</u>	<u>221,089</u>	<u>131,156</u>	<u>-</u>	<u>741,910</u>
CHANGE IN NET ASSETS (DEFICIENCY)	(2,055,346)	1,963,505	(2,757,117)	-	(2,848,958)
Net assets (deficiency) at beginning of year	<u>2,112,060</u>	<u>495,168</u>	<u>(1,877,032)</u>	<u>-</u>	<u>730,196</u>
NET ASSETS (DEFICIENCY) AT END OF YEAR	<u>\$ 56,714</u>	<u>\$ 2,458,673</u>	<u>\$ (4,634,149)</u>	<u>\$ -</u>	<u>\$ (2,118,762)</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
OUR WORLD NEIGHBORHOOD CHARTER SCHOOL

YEAR ENDED JUNE 30, 2024

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	21	\$ 1,057,477	\$ 140,357	\$ 1,197,834	\$ 780,605	\$ 31,371	\$ 811,976	\$ 2,009,810
Instructional personnel	81	6,208,408	723,436	6,931,844	-	-	-	6,931,844
Non-instructional personnel	1	48,657	-	48,657	-	-	-	48,657
Total personnel services costs	103	7,314,542	863,793	8,178,335	780,605	31,371	811,976	8,990,311
Fringe benefits and payroll taxes		1,419,721	185,170	1,604,891	178,024	7,261	185,285	1,790,176
Retirement		325,754	37,798	363,552	28,641	1,857	30,498	394,050
Legal service		-	-	-	13,935	-	13,935	13,935
Accounting / audit services		-	-	-	48,636	-	48,636	48,636
Other purchased / professional / consulting services		684,902	-	684,902	145,978	-	145,978	830,880
Building and land rent / lease / facility finance interest		2,350,005	-	2,350,005	561,456	-	561,456	2,911,461
Repairs and maintenance		326,596	-	326,596	90,018	-	90,018	416,614
Insurance		93,629	-	93,629	23,407	-	23,407	117,036
Utilities		328,356	250	328,606	89,865	326	90,191	418,797
Supplies / materials		175,429	1,398	176,827	827	-	827	177,654
Equipment / furnishings		47,604	-	47,604	9,217	-	9,217	56,821
Staff development		218,268	1,232	219,500	9,856	-	9,856	229,356
Marketing / recruitment		56,584	-	56,584	5,449	-	5,449	62,033
Technology		140,328	-	140,328	48,714	175	48,889	189,217
Food service		315,637	-	315,637	-	-	-	315,637
Student services		10,187	-	10,187	-	-	-	10,187
Office expense		123,432	-	123,432	89,579	81	89,660	213,092
Depreciation		229,944	-	229,944	17,885	-	17,885	247,829
Other		78,416	11,488	89,904	23,080	1,562	24,642	114,546
		<u>\$ 14,239,334</u>	<u>\$ 1,101,129</u>	<u>\$ 15,340,463</u>	<u>\$ 2,165,172</u>	<u>\$ 42,633</u>	<u>\$ 2,207,805</u>	<u>\$ 17,548,268</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
OUR WORLD NEIGHBORHOOD CHARTER SCHOOL 2

YEAR ENDED JUNE 30, 2024

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	11.0	\$ 544,145	\$ 80,357	\$ 624,502	\$ 605,761	\$ 31,371	\$ 637,132	\$ 1,261,634
Instructional personnel	46.0	3,339,254	165,946	3,505,200	-	-	-	3,505,200
Non-instructional personnel	0.5	54,476	-	54,476	-	-	-	54,476
Total personnel services costs	57.5	3,937,875	246,303	4,184,178	605,761	31,371	637,132	4,821,310
Fringe benefits and payroll taxes		718,436	54,455	772,891	107,198	5,994	113,192	886,083
Retirement		144,971	9,342	154,313	40,435	1,857	42,292	196,605
Accounting / audit services		-	-	-	25,124	-	25,124	25,124
Other purchased / professional / consulting services		434,219	-	434,219	51,896	-	51,896	486,115
Building and land rent / lease / facility finance interest		1,830,143	-	1,830,143	457,576	-	457,576	2,287,719
Repairs and maintenance		174,357	-	174,357	47,612	-	47,612	221,969
Insurance		59,903	-	59,903	14,976	-	14,976	74,879
Utilities		174,625	-	174,625	45,148	65	45,213	219,838
Supplies / materials		148,232	4,049	152,281	102	-	102	152,383
Equipment / furnishings		28,982	-	28,982	4,910	-	4,910	33,892
Staff development		133,045	4,037	137,082	2,967	-	2,967	140,049
Marketing / recruitment		63,403	-	63,403	5,726	-	5,726	69,129
Technology		46,731	99	46,830	14,220	66	14,286	61,116
Student services		15,537	-	15,537	-	-	-	15,537
Office expense		65,356	-	65,356	53,382	81	53,463	118,819
Depreciation		177,481	766	178,247	32,471	-	32,471	210,718
Other		31,969	4,631	36,600	6,587	461	7,048	43,648
		<u>\$ 8,185,265</u>	<u>\$ 323,682</u>	<u>\$ 8,508,947</u>	<u>\$ 1,516,091</u>	<u>\$ 39,895</u>	<u>\$ 1,555,986</u>	<u>\$ 10,064,933</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
OUR WORLD NEIGHBORHOOD CHARTER SCHOOL 3

YEAR ENDED JUNE 30, 2024

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	8.0	\$ 330,685	\$ 35,011	\$ 365,696	\$ 410,769	\$ 31,372	\$ 442,141	\$ 807,837
Instructional personnel	26.0	1,430,055	484,548	1,914,603	-	-	-	1,914,603
Non-instructional personnel	0.5	40,857	-	40,857	-	-	-	40,857
Total personnel services costs	34.5	1,801,597	519,559	2,321,156	410,769	31,372	442,141	2,763,297
Fringe benefits and payroll taxes		381,787	53,674	435,461	82,093	5,994	88,087	523,548
Retirement		22,227	34,724	56,951	54,973	1,857	56,830	113,781
Legal service		-	-	-	16,470	-	16,470	16,470
Accounting / audit services		-	-	-	13,189	-	13,189	13,189
Other purchased / professional / consulting services		215,830	-	215,830	134,443	-	134,443	350,273
Building and land rent / lease / facility finance interest		2,616,091	-	2,616,091	654,023	-	654,023	3,270,114
Repairs and maintenance		198,762	-	198,762	53,255	-	53,255	252,017
Insurance		28,644	-	28,644	5,209	-	5,209	33,853
Utilities		88,812	-	88,812	22,652	65	22,717	111,529
Supplies / materials		90,956	5,768	96,724	154	-	154	96,878
Equipment / furnishings		1,341	-	1,341	3,133	-	3,133	4,474
Staff development		56,885	-	56,885	1,669	-	1,669	58,554
Marketing / recruitment		95,275	-	95,275	4,039	-	4,039	99,314
Technology		45,038	198	45,236	17,618	37	17,655	62,891
Student services		4,442	-	4,442	-	-	-	4,442
Office expense		18,513	350	18,863	46,377	81	46,458	65,321
Depreciation		228,998	-	228,998	12,622	-	12,622	241,620
Other		17,625	2,230	19,855	16,103	461	16,564	36,419
		<u>\$ 5,912,823</u>	<u>\$ 616,503</u>	<u>\$ 6,529,326</u>	<u>\$ 1,548,791</u>	<u>\$ 39,867</u>	<u>\$ 1,588,658</u>	<u>\$ 8,117,984</u>

OUR WORLD NEIGHBORHOOD CHARTER SCHOOLS

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2024





BUSINESS
ADVISORS
AND CPAS

October 30, 2024

The Finance Committee
Our World Neighborhood Charter Schools

We have audited the financial statements of Our World Neighborhood Charter Schools as of and for the year ended June 30, 2024, and have issued our report thereon dated October 30, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 10, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of Our World Neighborhood Charter Schools solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

- 1 -

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced Senior Accountant who reviews the draft financial statements prior to issuance and accepts responsibility for them.

Significant Risks Identified

We have identified the following significant risks:

- Management override
- Improper revenue recognition
- Improper expense tagging
- Misappropriation of assets

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to address those risks. The identification of a risk does not mean that it has occurred, but rather it has the potential to impact the financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Our World Neighborhood Charter Schools is included in Note A to the financial statements. As described in Note A to the financial statements, during the year, Our World Neighborhood Charter Schools adopted new guidance on current expected credit losses (ASC 326). No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocations of operating expenses to program expenses, management and general expenses, and fundraising expenses; and assumptions relating to assets and liabilities calculated under the new lease standard. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Our World Neighborhood Charter Schools financial statements relate to revenue and support recognition and concentrations, and lease commitments, which are referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Our World Neighborhood Charter Schools financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Our World Neighborhood Charter Schools, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Our World Neighborhood Charter Schools' auditors.

Supplementary information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Internal Control Matters

We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses.

Other Matter – Credit Cards

During our audit, we noted the Charter Schools opened new credit cards during fiscal 2024 utilizing the RAMP platform, while still maintaining the existing American Express credit cards. Multiple employees now have two Charter School issued credit cards. The RAMP credit cards include stronger controls around retention of receipts and limitations on excess spending as compared to the American Express cards. To mitigate potential risks associated with financial management and ensure accountability, we recommend providing employees with only one credit card. Having multiple credit cards can lead to confusion in tracking expenses, increased administrative burden in reconciling transactions, and a higher risk of misuse or fraudulent activities.

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Should you desire further information concerning these matters, Jackie Lee or Sylest Weaver will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, the Finance Committee, and management of Our World Neighborhood Charter Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

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