

**PUBLIC PREP CHARTER SCHOOL ACADEMIES**

**BRONX, NEW YORK**

**SCHEDULES REQUIRED BY GOVERNMENT  
AUDITING STANDARDS AND THE UNIFORM  
GUIDANCE**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2024**



BUSINESS  
ADVISORS  
AND CPAS

## CONTENTS

### SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE

### PAGE

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	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance	5
Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Findings	12



BUSINESS  
ADVISORS  
AND CPAS

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

Board of Trustees  
Public Prep Charter School Academies

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Public Prep Charter School Academies, which comprise the consolidated statement of financial position as of June 30, 2024 and the related consolidated statements of activities and changes in net assets, 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 November 1, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Public Prep Charter School Academies' internal control over financial reporting (internal control) as a basis for designing 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 Public Prep Charter School Academies' internal control. Accordingly, we do not express an opinion on the effectiveness of Public Prep Charter School Academies' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Public Prep Charter School Academies' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
November 1, 2024



BUSINESS  
ADVISORS  
AND CPAS

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees  
Public Prep Charter School Academies

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Public Prep Charter School Academies’ 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 Public Prep Charter School Academies’ major federal programs for the year ended June 30, 2024. Public Prep Charter School Academies’ 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, Public Prep Charter School Academies complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Public Prep Charter School Academies 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 Public Prep Charter School Academies’ 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 Public Prep Charter School Academies' 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 Public Prep Charter School Academies' 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 GAAS, *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 Public Prep Charter School Academies' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Public Prep Charter School Academies' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Public Prep Charter School Academies' 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 Public Prep Charter School Academies' 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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of Public Prep Charter School Academies as of and for the year ended June 30, 2024, and have issued our report thereon dated November 1, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
November 1, 2024

PUBLIC PREP CHARTER SCHOOL ACADEMIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title IA - Grants to Local Educational Agencies	84.010A	0021	\$ 1,194,416
Title IIA - Supporting Effective Instruction State Grant	84.367A	0147	116,337
Title IIIA - English Language Learners	84.365	0293	16,688
Title IV- Student Support and Academic Enrichment Program	84.424	0204	97,932
Charter Schools - Expansion Grant	84.282	C403863	907,872
Charter Schools - Expansion Grant	84.282	C403861	<u>910,737</u>
<i>Total Charter Schools</i>			1,818,609
<u>Education Stabilization Funds -</u>			
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	5880	4,329,449
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief- Homeless Children and Youth	84.425W	5218	<u>59,264</u>
<i>Total Education Stabilization Funds</i>			<u>4,388,713</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>7,632,695</u>
U.S. Department of Agriculture:			
<u>Passed through New York State Education Department:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	320700860994	238,348
National School Lunch Program	10.555	320700860994	442,189
Supply Chain Assistance - COVID	10.555	320700860994	<u>29,039</u>
<i>Total Child Nutrition Cluster</i>			<u>709,576</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>709,576</u>
TOTAL ALL PROGRAMS			<u>\$ 8,342,271</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2024

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of federal awards (the “schedule”) includes the federal grant activity of Public Prep Charter School Academies and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Public Prep Charter School Academies has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

No amounts were passed through to subrecipients.

PUBLIC PREP CHARTER SCHOOL ACADEMIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024

SUMMARY OF AUDITOR'S RESULTS

---

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes     x     no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes     x     none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes     x     no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes     x     no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes     x     none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? \_\_\_\_\_ yes     x     no

Identification of major federal program:

*AL Number:*

84.010A  
84.282  
10.553 & 10.555

*Name of Federal Program or Cluster:*

Title 1A - Grants to Local Educational Agencies  
Charter Schools - Expansion Grant  
Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:     \$750,000    

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes     x     no

PUBLIC PREP CHARTER SCHOOL ACADEMIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd  
YEAR ENDED JUNE 30, 2024

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

SUMMARY SCHEDULE OF PRIOR FINDINGS

YEAR ENDED JUNE 30, 2024

PRIOR YEAR FINDINGS

**Finding 2023-001**

*Criteria and statement of condition:* During the 2023 audit, certain significant adjustments were needed to properly state consolidated financial statement balances in accordance with accounting principles generally accepted in the United States of America (GAAP). This was considered to be a significant deficiency in internal control over financial reporting. The adjustments included journal entries to accounts receivable, accounts payable, various revenues and payroll and benefits expense.

*Current Status:* The Organization shifted from utilizing an internal finance team and engaged an outside financial consulting firm to provide oversight and perform various account reconciliations and proper recording of day-to-day transactions. As a result, reconciliations were performed throughout the year and proper year-end entries were made to close the books. During the 2024 audit, no significant adjustments were required to properly state consolidated financial statement balances in accordance with GAAP.

**Finding 2023-002**

*Criteria and statement of condition:* During the 2023 audit, Public Prep Charter School Academies was required to contribute \$25,000 to a dissolution fund for the Joint High School Program by June 30, 2023 in accordance with the provisions of their respective Charter Agreements section 8.9. Future deposits of \$25,000 per fiscal year were required for each Education Corporation participating in the Joint High School Program until the total dissolution funds related to the Joint High School Program reach \$150,000. The required escrow deposits were not made by the required date. In addition, due to a change in financial institutions, the funds previously held in the dissolution escrow account were withdrawn from the account at the prior financial institution but were not redeposited into the new dissolution escrow account.

*Current Status:* Management has deposited the overdue funds to each dissolution fund in accordance with the Charter Agreement section 8.9 as of October 4, 2023.

**PUBLIC PREP CHARTER SCHOOL ACADEMIES**

**BRONX, NEW YORK**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2024**

**(With Comparative Totals for 2023)**



BUSINESS  
ADVISORS  
AND CPAS

## CONTENTS

<u>AUDITED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities and Changes in Net Assets	7
Consolidated Statement of Functional Expenses	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	11
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	30
Consolidating Statement of Financial Position by Charter	31
Consolidating Statement of Activities and Changes in Net Assets by Charter	33
Statement of Functional Expenses by Charter or Program:	
Girls Preparatory Charter School of New York	34
Boys Preparatory Charter School of New York	35
Girls Preparatory Charter School of the Bronx	36
Girls Preparatory Charter School of the Bronx II	37
PrePrep: the Joan Ganz Cooney Early Learning Program	38
PrePrep 2	39
PrePrep 3	40
Statement of Functional Expenses - Friends of Public Prep	41



BUSINESS  
ADVISORS  
AND CPAS

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Public Prep Charter School Academies

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

#### **Opinion**

We have audited the consolidated financial statements of Public Prep Charter School Academies (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2024 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Public Prep Charter School Academies 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 Consolidated Financial Statements section of our report. We are required to be independent of Public Prep Charter School Academies 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 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 Public Prep Charter School Academies' 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 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 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 consolidated 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 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 Public Prep Charter School Academies' 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 Public Prep Charter School Academies' 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 Public Prep Charter School Academies' consolidated financial statements as of and for the year ended June 30, 2023, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited consolidated 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 November 1, 2024 on our consideration of Public Prep Charter School Academies' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Public Prep Charter School Academies' internal control over financial reporting and compliance.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
November 1, 2024

PUBLIC PREP CHARTER SCHOOL ACADEMIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2024  
(With Comparative Totals for 2023)

<u>ASSETS</u>	June 30,	
	2024	2023
<u>CURRENT ASSETS</u>		
Cash	\$ 3,866,116	\$ 8,744,642
Certificates of deposit	6,465,486	6,254,989
Grants and contracts receivable	7,862,659	7,584,202
Property tax refund receivable	950,280	950,280
Prepaid expenses and other current assets	831,083	555,063
TOTAL CURRENT ASSETS	19,975,624	24,089,176
<u>OTHER ASSETS</u>		
Property and equipment, net	17,512,160	13,039,586
Related party receivables, net	1,752,726	255,898
Right-of-use assets - finance	939,419	903,962
Right-of-use assets - operating	54,338,668	55,642,280
Security deposits	942,391	534,015
Cash in escrow	250,576	119
Restricted cash	1,267,416	1,250,000
	77,003,356	71,625,860
TOTAL ASSETS	\$ 96,978,980	\$ 95,715,036

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

<u>LIABILITIES AND NET ASSETS</u>	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 3,780,596	\$ 3,039,443
Accrued payroll and benefits	1,807,174	2,623,099
Deferred revenue	-	81,234
Current portion of long-term debt	150,219	144,771
Current portion of lease liabilities - finance	296,525	258,947
Current portion of lease liabilities - operating	<u>756,001</u>	<u>755,902</u>
TOTAL CURRENT LIABILITIES	6,790,515	6,903,396
<u>LONG-TERM LIABILITIES</u>		
Long-term debt, net of unamortized debt issuance costs of \$372,339 and \$386,614 at June 30, 2024 and 2023, respectively	5,980,524	6,115,989
Long-term lease liabilities - finance	618,376	609,124
Long-term lease liabilities - operating	<u>57,269,002</u>	<u>58,025,002</u>
TOTAL LIABILITIES	70,658,417	71,653,511
<u>NET ASSETS</u>		
Without donor restrictions	25,988,590	24,058,683
With donor restrictions	<u>331,973</u>	<u>2,842</u>
TOTAL NET ASSETS	<u>26,320,563</u>	<u>24,061,525</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 96,978,980</u>	<u>\$ 95,715,036</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	Year ended June 30,			2023
	2024		Total	
	Without donor restrictions	With donor restrictions		Total
Revenue, gains and other support:				
Public school district:				
Resident student enrollment	\$ 29,249,844	\$ -	\$ 29,249,844	\$ 32,229,532
Students with disabilities	4,478,745	-	4,478,745	4,654,199
Grants and contracts:				
State and local	1,068,179	-	1,068,179	1,170,718
Federal - Title and IDEA	2,001,901	-	2,001,901	1,930,872
Federal - other	6,513,310	-	6,513,310	6,272,751
NYC DOE rental assistance	3,685,611	-	3,685,611	4,527,508
Contributions - nonfinancial assets, in-kind rent	4,834,350	-	4,834,350	5,045,999
Food Service/Child Nutrition Program	723,717	-	723,717	970,491
TOTAL REVENUE, GAINS AND OTHER SUPPORT	52,555,657	-	52,555,657	56,802,070
Expenses:				
Program services:				
Regular education	30,214,204	-	30,214,204	38,325,801
Special education	16,200,309	-	16,200,309	13,088,560
Pre-K	1,886,980	-	1,886,980	1,921,689
Total program services	48,301,493	-	48,301,493	53,336,050
Management and general	4,121,796	-	4,121,796	4,243,528
TOTAL OPERATING EXPENSES	52,423,289	-	52,423,289	57,579,578
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	132,368	-	132,368	(777,508)
Support and other revenue:				
Contributions:				
Foundations	327,900	9,000	336,900	468,173
Individuals	-	-	-	-
Corporations	952,466	320,131	1,272,597	832,940
Fundraising	-	-	-	-
Interest income	382,574	-	382,574	12,105
Other income	134,599	-	134,599	109,783
Rental income	-	-	-	10,074
TOTAL SUPPORT AND OTHER REVENUE	1,797,539	329,131	2,126,670	1,433,075
CHANGE IN NET ASSETS	1,929,907	329,131	2,259,038	655,567
Net assets at beginning of year	24,058,683	2,842	24,061,525	23,405,958
NET ASSETS AT END OF YEAR	\$ 25,988,590	\$ 331,973	\$ 26,320,563	\$ 24,061,525

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

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

	No. of Positions	Program Services				Supporting Services			Total	
		Regular Education	Special Education	Pre-K	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
									2024	2023
Personnel services costs:										
Administrative staff personnel	43	\$ 3,197,646	\$ 941,665	\$ 40,000	\$ 4,179,311	\$ 1,299,989	\$ -	\$ 1,299,989	\$ 5,479,300	\$ 6,335,260
Instructional personnel	207	8,741,273	6,837,714	910,332	16,489,319	53,963	-	53,963	16,543,282	19,675,290
Non-instructional personnel	2	78,188	32,887	7,961	119,036	-	-	-	119,036	77,444
Total personnel services costs	252	12,017,107	7,812,266	958,293	20,787,666	1,353,952	-	1,353,952	22,141,618	26,087,994
Fringe benefits and payroll taxes		2,168,894	1,409,883	183,578	3,762,355	240,694	-	240,694	4,003,049	5,182,408
Retirement		204,505	133,212	18,150	355,867	24,371	-	24,371	380,238	475,352
Management company fees		3,054,690	904,131	-	3,958,821	989,706	-	989,706	4,948,527	5,392,780
Legal services		-	-	-	-	254,928	-	254,928	254,928	314,502
Accounting / audit services		-	-	-	-	112,178	-	112,178	112,178	105,385
Other purchased / professional / consulting services		1,971,378	768,409	49,035	2,788,822	319,875	-	319,875	3,108,697	2,824,818
Building rent / lease / facility finance interest		2,810,188	1,176,068	232,173	4,218,429	113,663	-	113,663	4,332,092	3,834,730
In-kind rent		2,849,518	1,449,902	188,874	4,488,294	346,056	-	346,056	4,834,350	5,045,999
Repairs and maintenance		318,653	150,610	22,946	492,209	14,669	-	14,669	506,878	475,625
Insurance		185,848	119,953	27,178	332,979	19,995	-	19,995	352,974	336,622
Utilities		393,446	188,761	28,928	611,135	16,349	-	16,349	627,484	601,433
Supplies / materials		704,317	206,568	41,328	952,213	4,611	-	4,611	956,824	1,207,912
Equipment / furnishings		40,124	29,008	10,544	79,676	4,061	-	4,061	83,737	171,723
Staff development		348,290	222,891	36,382	607,563	40,430	-	40,430	647,993	579,455
Marketing / recruiting		278,472	182,519	102	461,093	30,887	-	30,887	491,980	518,815
Technology		287,155	146,032	10,506	443,693	21,933	-	21,933	465,626	546,502
Food service		472,361	195,938	610	668,909	-	-	-	668,909	943,292
Student services		679,319	257,003	3,584	939,906	21,049	-	21,049	960,955	542,973
Office expense		159,026	103,530	8,333	270,889	32,499	-	32,499	303,388	284,694
Depreciation and amortization		1,270,913	743,625	66,436	2,080,974	97,612	-	97,612	2,178,586	1,971,992
Other		-	-	-	-	62,278	-	62,278	62,278	134,572
		<u>\$ 30,214,204</u>	<u>\$ 16,200,309</u>	<u>\$ 1,886,980</u>	<u>\$ 48,301,493</u>	<u>\$ 4,121,796</u>	<u>\$ -</u>	<u>\$ 4,121,796</u>	<u>\$ 52,423,289</u>	<u>\$ 57,579,578</u>

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>Year ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,259,038	\$ 655,567
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Depreciation and amortization	2,178,586	1,971,992
Amortization of debt issuance costs included in interest expense	14,275	14,275
Property and equipment purchased with ECF grant	-	(385,200)
Loss on disposal of property and equipment	43,389	-
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(278,457)	(4,077,811)
Prepaid expenses and other current assets	(276,020)	160,126
Related party receivables	(1,496,828)	(225,724)
Accounts payable and accrued expenses	475,441	1,352,988
Accrued payroll and benefits	(815,925)	251,101
Operating lease liabilities, net of right-of-use assets	547,711	3,138,624
Deferred revenue	(81,234)	(394,204)
Deferred lease incentive	-	(13,399)
Deferred lease liability	-	(2,627,815)
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	<u>2,569,976</u>	<u>(179,480)</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Payment of security deposit	(408,376)	-
Purchases of property and equipment	(6,131,788)	(2,545,389)
Purchases of certificates of deposit	(210,497)	(6,254,989)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(6,750,661)</u>	<u>(8,800,378)</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments on finance leases	(285,676)	(371,746)
Repayments of long-term debt	(144,292)	(139,999)
NET CASH USED FOR FINANCING ACTIVITIES	<u>(429,968)</u>	<u>(511,745)</u>
NET DECREASE IN CASH AND RESTRICTED CASH	(4,610,653)	(9,491,603)
Cash and restricted cash at beginning of year	<u>9,994,761</u>	<u>19,486,364</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 5,384,108</u>	<u>\$ 9,994,761</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

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

	<u>Year ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment in accounts payable	\$ 265,712	\$ -
Purchases of property and equipment through the ECF grant	\$ -	\$ 385,200
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Right-of-use assets obtained in exchange for finance lease liabilities	\$ 341,903	\$ 1,081,740
Right-of-use assets obtained in exchange for operating lease liabilities	\$ -	\$ 207,850
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	\$ 277,205	\$ 299,347
Reconciliation of cash and restricted cash reported within the consolidated statement of financial position that sum to the total amounts reported in the statement of cash flows:		
	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>CASH AND RESTRICTED CASH</u>		
Cash	\$ 3,866,116	\$ 8,744,642
Cash in escrow	250,576	119
Restricted cash	1,267,416	1,250,000
	<u>\$ 5,384,108</u>	<u>\$ 9,994,761</u>

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements include the accounts of Girls Preparatory Charter School of New York (“Girls Prep LES”), Boys Preparatory Charter School of New York (“Boys Prep”), Girls Preparatory Charter School of the Bronx (“Girls Prep Bronx”), Girls Preparatory Charter School of the Bronx II (“Girls Prep Bronx II”), PrePrep: the Joan Ganz Cooney Early Learning Program (“PrePrep”), PrePrep2 (“PrePrep2”), PrePrep3 (“PrePrep3”), collectively forming Public Prep Charter School Academies, and Friends of Public Prep Academies, Inc. (“Friends”), (collectively referred to as the “Organization”). All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The Organization

Public Prep Charter School Academies is an education corporation that has authority to operate the Charter Schools as described below. Each of the Charter Schools were established to prepare underserved elementary and middle school students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations. Friends was organized under the laws of the State of New York as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation law. Girls Prep Bronx II, LLC was organized under the laws of the State of New York as a limited liability company under Section 203 of the Limited Liability Company Law as of October 18, 2021. The sole member of the limited liability company is Friends. See Note D.

Girls Prep LES operates in the borough of Manhattan, New York. On March 23, 2004, the Board of Regents of the University of the State of New York granted Girls Prep LES a provisional charter valid for a term of five years and renewable upon expiration. Girls Prep LES obtained a renewal through June 30, 2025. Effective for the 2023-24 school year, Girls Prep LES did not enroll any incoming kindergarten students, as the Charter School closed grades K-8 at the end of the 2023-24 school year.

Boys Prep operates in the borough of Bronx, New York. On December 14, 2010, the Board of Regents of the University of the State of New York granted Boys Prep a provisional charter valid for a term of five years and renewable upon expiration. Boys Prep obtained a renewal through July 31, 2025.

Girls Prep Bronx operates in the borough of Bronx, New York. On February 23, 2009, the Board of Regents of the University of the State of New York granted Girls Prep Bronx a provisional charter valid for a term of five years and renewable upon expiration. Girls Prep Bronx obtained a renewal through July 31, 2025.

On March 9, 2019, the Board of Regents of the University of the State of New York granted Girls Prep Bronx II a provisional charter valid for a term of five years through June 30, 2025, and renewable upon expiration. Girls Prep Bronx II opened for students in the Fall of 2020.

In December 2020, Girls Prep LES, Boys Prep, and Girls Prep Bronx each received approval from SUNY for a revision to their charters to create a joint high school program with another Charter School beginning in the 2022-23 school year. The high school opened beginning in the 2022-2023 school year. Public Prep Charter School Academies has contracted with Vertex Partnership Academies, Inc., a not-for-profit organization, to provide management and other administrative services for the high school. See Note M.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

PrePrep operates in the borough of Bronx, New York. The Organization obtained approval from the New York City Department of Education to open a Pre-K program. The contract authorized operation of a universal prekindergarten program for a term of three years through June 30, 2018 and was renewable upon expiration. PrePrep is in the process of obtaining renewal through June 30, 2025.

PrePrep2 operates in the borough of Bronx, New York. The Organization obtained approval from the New York City Department of Education to open a second Pre-K program. The contract authorizes operation of a universal prekindergarten program for a term of three years through June 30, 2021 and was extended through June 30, 2024. PrePrep2 is in the process of obtaining renewal through June 30, 2025.

PrePrep3 operated in the borough of Manhattan, New York. The Organization obtained approval from the New York City Department of Education to open a third Pre-K program. The contract authorized operation of a universal prekindergarten program for a term of two years through June 30, 2021. PrePrep3 obtained a renewal through June 30, 2023. The program closed as of June 30, 2023.

Financial Statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its 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.

*Net Assets Without Donor Restrictions* – The net assets over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established by the Organization. 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 Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records substantially all revenues over time, as follows.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Public school district revenue

The Organization recognizes revenue as educational programming is provided to students throughout the year. The Organization earns 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 Organization 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 Organization to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Universal Pre-Kindergarten (Pre-K)

Similar to public school district revenue, the Organization recognizes Pre-K revenue as educational programming is provided to students throughout the year. The maximum revenue amount is based on a contractually determined fixed amount per student and the number of students enrolled at a point in time. This amount could be further reduced if actual costs incurred in providing the Pre-K program are less than the maximum calculated amount of the contract. Amounts are paid in installments throughout the course of the year, with the final 5% paid upon submission of all required documentation at the end of the contract year. Revenue recognized from Pre-K programs totaled \$1,274,016 and \$1,134,606 for the years ended June 30, 2024 and 2023, respectively.

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	\$ 464,016	\$ 216,124	\$ 107,030

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Contributions

Contributions and unconditional promises to give are recorded 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.

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

Grant revenue

Some of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying consolidated statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying consolidated statement of financial position. There was no deferred revenue at June 30, 2024. The amount reported as deferred revenue at June 30, 2023 amounted to \$81,234. The Organization received cost-reimbursement grants of \$475,257 and \$5,173,162 that had not been recognized at June 30, 2024 and 2023, respectively, because qualifying expenditures had not yet been incurred.

Cash

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

Cash in escrow

The Organization is required to maintain cash in escrow accounts for dissolution reserves in accordance with the terms of their charter agreements. The amount in escrow for dissolution as of June 30, 2024 and 2023 was \$250,576 and \$119, respectively. The escrow is restricted to fund legal and other costs related to the dissolution of the Organization, should dissolution become necessary. Due to a change in financial institution, funds were withdrawn from the escrow accounts as of June 30, 2023. The amounts were funded into the new escrow accounts in fiscal 2024.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Restricted cash

The Organization maintains cash in certificates of deposit for collateral in accordance with the terms of their standby letter of credit as required by the Girls Prep Bronx II, LLC lease agreement. The amount of the certificates of deposit as of June 30, 2024 and 2023 were \$1,267,416 and \$1,250,000, respectively, with interest rates of 1.98%. The cash is restricted as collateral for the standby letter of credit. See Note D.

Certificates of deposit

The Organization maintains its certificates of deposit with a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Organization's balance may exceed federally insured limits. The Organization has not experienced any losses in such account and does not believe it is exposed to any significant risk. The certificates of deposit mature at varying months between July 2024 and May 2025.

Grants and contracts receivable

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

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

Property tax refund receivable

In connection with the lease agreement entered by Friends and subleased to Boys Prep as described in Note D, Friends was responsible for payment of property taxes in excess of a base level. During the year ended June 30, 2022, the landlord and Friends completed the process of forming a leasehold condominium and subsequently filing for tax-exempt status for the property. As a result, property taxes previously paid by Friends were refunded to the landlord by the taxing authority and are due to Friends under the terms of the lease. Friends does not anticipate incurring future property tax expense with respect to this lease.

Property and equipment

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

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

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

Leases

The Organization leases school facilities 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 operating lease liabilities on the accompanying consolidated statement of financial position. Finance leases are included in finance lease right-of-use (ROU) assets, other current liabilities, and finance lease liabilities on the accompanying consolidated statement of financial position.

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

Certain lease agreements include rental payments based on changes in the consumer price index (CPI). Lease liabilities are not remeasured as a result of changes in the CPI; instead, changes in the CPI are treated as variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized in the period in which the related obligation was incurred. The variable lease cost recognized and disclosed for those applicable leases was \$223,380 and \$168,804 for the years ended June 30, 2024 and 2023, respectively.

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

Tax exempt status

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

Public Prep Academies and Friends file Form 990 tax returns in the U.S. federal jurisdiction. In addition, Friends files in New York. The Organization's current and prior three years tax returns remain subject to review by taxing authorities. Management of the Organization believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Organization received transportation services, special education services and speech therapy instruction for the students from the local district. The Organization was unable to determine a value for these services.

Marketing and recruiting costs

The Organization expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$492,000 and \$519,000 for the years ended June 30, 2024 and 2023, respectively.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

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

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.

Reclassifications

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

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Adoption of new accounting standard – 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 Organization that are subject to the guidance in FASB ASC 326 were certain grant and contract receivables.

The Organization 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.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the consolidated statement of financial position date through November 1, 2024, which is the date the consolidated financial statements are available to be issued. See Note D and Note P.

NOTE B: RELATED PARTY TRANSACTIONS

The Organization has related party receivables from one related organization, Public Preparatory Network, Inc. (PPN). PPN, a not-for-profit organization, provides management and other administrative support services to the Organization. For the years ended June 30, 2024 and 2023, the Organization paid an annual service fee of 15% of the year end student enrollment full time equivalents multiplied by the approved per pupil reimbursement rate for the school year for general education and special education funding. The term of the agreement renews annually unless terminated by either party with at least six months' notice. The fee incurred for the years ended June 30, 2024 and 2023 was \$4,475,122 and \$5,141,876, respectively.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Amounts due (to) from these related parties have no set repayment terms and as of June 30, 2024 were as follows:

	<u>Public Prep Charter School Academies</u>	<u>Friends of Public Prep Academies</u>	<u>Total</u>
Due from (to) Public Preparatory Network, Inc.	\$ 1,781,440	\$ (28,714)	\$ 1,752,726
Due from (to) Public Prep Charter School Academies	-	(9,476,269)	(9,476,269)
Due from (to) Friends of Public Prep Academies, Inc.	<u>9,476,269</u>	<u>-</u>	<u>9,476,269</u>
	<u>\$ 11,257,709</u>	<u>\$ (9,504,983)</u>	<u>\$ 1,752,726</u>

Amounts due (to) from these related parties have no set repayment terms and as of June 30, 2023 were as follows:

	<u>Public Prep Charter School Academies</u>	<u>Friends of Public Prep Academies</u>	<u>Total</u>
Due from (to) Public Preparatory Network, Inc.	\$ 262,648	\$ (6,750)	\$ 255,898
Due from (to) Public Prep Charter School Academies	-	(8,738,025)	(8,738,025)
Due from (to) Friends of Public Prep Academies, Inc.	<u>8,738,025</u>	<u>-</u>	<u>8,738,025</u>
	<u>\$ 9,000,673</u>	<u>\$ (8,744,775)</u>	<u>\$ 255,898</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE C: LIQUIDITY AND AVAILABILITY

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

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its 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 Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

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:

	June 30,	
	<u>2024</u>	<u>2023</u>
Cash	\$ 3,866,116	\$ 8,744,642
Certificates of deposit	6,465,486	6,254,989
Grants and contracts receivable	7,862,659	7,584,202
Property tax refund receivable	<u>950,280</u>	<u>950,280</u>
Total financial assets available within one year	19,144,541	23,534,113
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	<u>(331,973)</u>	<u>(2,842)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 18,812,568</u>	<u>\$ 23,531,271</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE D: LEASES

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to the Organization at no charge under a verbal agreement. See Note E.

In December 2016 Friends entered into a lease agreement with a third party for school facility space for use by Boys Prep. The lease required a security deposit of \$495,000 which was paid in fiscal 2017 by Boys Prep. During fiscal 2024, the lease required an additional security deposit of approximately \$408,000, which was paid by Friends. The lease term is 35 years through August 2053, which commenced upon occupancy in September 2018, with the option to renew the agreement for two renewal terms, the first for ten years and the second for four years. The current agreement provides for monthly payments of approximately \$202,300 for the first year, increasing annually based upon the greater of the changes in the Consumer Price Index above a base year or a fixed percentage of 1.5%. Girls Prep Bronx II was also located in the same facility as Boys Prep, through June 30, 2023.

During September 2019, the Organization finalized a sublease between Friends and Public Prep Charter School Academies for the Boys Prep school facility space which commenced September 10, 2018. Effective July 1, 2021, the lease was amended to extend the term to June 30, 2041. Under the amended sublease, annual rental payments increase by approximately 2% annually. All intercompany rent is eliminated in the accompanying consolidated financial statements; \$6,646,967 and \$6,628,888 for the years ended June 30, 2024 and 2023, respectively.

The Organization also leases computer and office equipment under non-cancelable lease agreements expiring at various dates through August 2028.

During 2022, Public Prep Academies entered into a sublease with Vertex for the Joint High School facility. The sublease commenced July 1, 2022 through June 30, 2023. The lease includes all utilities and security services. In August 2023, the lease was extended through June 30, 2024 with total bi-monthly rent of \$204,840, shared between Public Prep Academies and Brilla College Preparatory Charter Schools. In July 2024, the lease was extended through June 30, 2025 with total bi-monthly rent of \$296,134 shared between Public Prep Academies and Brilla College Preparatory Charter Schools. The related lease expense was \$860,328 and \$358,872 for the years ended June 30, 2024 and 2023, respectively. See Note M for further details on the Joint High School Program.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE D: LEASES, Cont'd

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

<u>Statement of Financial</u>		<u>June 30,</u>	
<u>Position Classification</u>		<u>2024</u>	<u>2023</u>
<u>Assets</u>			
Finance leases	Other assets	\$ 939,419	\$ 903,962
Operating leases	Other assets	54,338,668	55,642,280
		<u>\$ 55,278,087</u>	<u>\$ 56,546,242</u>
 <u>Liabilities</u>			
Current:			
Finance leases	Current liabilities	\$ 296,525	\$ 258,947
Operating leases	Current liabilities	756,001	755,902
Non-current:			
Finance leases	Long-term liabilities	618,376	609,124
Operating leases	Long-term liabilities	57,269,002	58,025,002
		<u>\$ 58,939,904</u>	<u>\$ 59,648,975</u>

The components of lease expense were as follows:

		<u>Year ended June 30,</u>	
		<u>2024</u>	<u>2023</u>
Finance lease cost:			
Amortization of right-of-use assets		\$ 297,049	\$ 177,778
Interest on lease liabilities		38,497	27,265
	Total finance lease costs	335,546	205,043
Operating lease cost			
Operating lease cost		3,055,266	3,146,543
Variable lease cost		223,380	168,804
Short-term lease cost		860,328	358,872
	Total lease cost	<u>\$ 4,474,520</u>	<u>\$ 3,879,262</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE D: LEASES, Cont'd

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

	Finance leases	Operating leases	Total
2025	\$ 326,129	\$ 2,543,755	\$ 2,869,884
2026	278,073	2,581,364	2,859,437
2027	236,408	2,583,057	2,819,465
2028	124,853	2,621,803	2,746,656
2029	10,231	2,661,130	2,671,361
Thereafter	-	78,004,921	78,004,921
Total lease payments	975,694	90,996,030	91,971,724
Less: Interest	(60,793)	(32,971,027)	(33,031,820)
Present value of lease liabilities	\$ 914,901	\$ 58,025,003	\$ 58,939,904

Supplemental information:

	Year ended June 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for finance leases	\$ 38,071	\$ 25,041
Financing cash flows paid for finance leases	\$ 304,357	\$ 371,746
Operating cash flows paid for operating leases	\$ 2,544,709	\$ 2,632,410
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Finance leases	\$ 341,903	\$ 1,081,740
Operating leases	\$ -	\$ 207,850
Weighted-average remaining lease term:		
Finance leases	3.42 years	3.99 years
Operating leases	29.13 years	30.09 years
Weighted-average discount rate:		
Finance leases	3.92%	3.64%
Operating leases	3.11%	3.11%

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE D: LEASES, Cont'd

Effective April 7, 2022, Girls Prep Bronx II, LLC entered into a lease agreement with a third-party landlord to construct a building to be leased to Girls Prep Bronx II, LLC. The lease commenced in July 2024. The lease shall run for 39 years from date of commencement with monthly rental payments beginning at \$125,000 and increasing to \$589,000 over the lease term. The lease can be renewed for an additional ten-year period. Public Prep Charter School Academies guarantees the lease. Management does not anticipate any losses from this guaranty, and, accordingly, no amounts have been provided for this guaranty in the accompanying consolidated financial statements. At June 30, 2024, the maximum amount of future payments (undiscounted) that the Organization could be required to make under the guaranty is approximately \$205,759,000. At this time, the Organization fully expects that the above lease obligation will be repaid by Girls Prep Bronx II, LLC in accordance with the lease terms. In accordance with the lease terms, the tenant shall pay or provide a letter of credit for the security deposit at the execution of the lease. This amounted to \$1,250,000 and the Organization obtained a standby letter of credit for this amount with a final expiration date of August 30, 2063. Further, the Organization maintains a certificate of deposit account that holds approximately \$1,267,000 as collateral for this standby letter of credit as required by the standby letter of credit agreement. In connection with the above lease, Girls Prep Bronx II, LLC entered into a sublease with Public Prep Charter School Academies in January 2023. The sublease has the same term as the lease between Girls Prep Bronx II, LLC and their landlord. Rent payable by Public Prep Charter School Academies will include facilities operational expenses including utilities, cleaning, and telecommunications services. Rental payments have not yet been finalized but are expected to begin at approximately \$125,000 per month and increase to \$589,359 per month over the 39 year term of the lease. All intercompany rent will be eliminated in consolidation.

Future minimum payments under this lease are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2025	\$ 1,500,000
2026	2,500,000
2027	3,200,000
2028	4,200,000
2029	4,263,000
Thereafter	<u>190,096,000</u>
	<u>\$ 205,759,000</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE E: SCHOOL FACILITIES – GIFTS-IN-KIND

During fiscal 2023, Girls Prep LES, Girls Prep Bronx, PrePrep and PrePrep3 were located in NYCDOE facilities at no charge. During fiscal 2024, Girls Prep LES, Girls Prep Bronx, PrePrep and Girls Prep Bronx II were located in NYCDOE facilities at no charge. In valuing the contributed space in the school buildings, the Organization estimated the fair value of \$4,834,350 and \$5,045,999 for the years ending June 30, 2024 and 2023, respectively, on the basis of financial information provided to the Organization under the New York City School Rental Assistance Program. There were no associated donor restrictions with the contributed facilities.

<u>Program or Supporting Service</u>	<u>Year ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Regular education	\$ 2,849,518	\$ 3,326,249
Special education	1,449,902	1,027,330
Pre-K	188,874	250,493
Management and general	346,056	441,927
	<u>\$ 4,834,350</u>	<u>\$ 5,045,999</u>

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 3,278,384	\$ 3,158,202
Computer equipment	4,194,463	3,936,892
Office equipment	2,906,488	2,386,451
Web development	5,250	5,250
Leasehold improvements	14,737,347	12,231,648
Construction in progress	4,536,641	1,604,265
	<u>29,658,573</u>	<u>23,322,708</u>
Less accumulated depreciation and amortization	<u>12,146,413</u>	<u>10,283,122</u>
	<u>\$ 17,512,160</u>	<u>\$ 13,039,586</u>

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense on property and equipment was \$2,178,586 and \$1,794,214 for the years ended June 30, 2024 and 2023, respectively.

Construction in progress relates to construction at the Girls Prep Bronx II permanent space discussed in Note D. As of June 30, 2024, the Organization has approximately \$127,000 remaining on a construction commitment for the space. Amounts will be placed into service upon commencement of the lease in fiscal year 2025.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE G: RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) plan covering all eligible employees. The Organization matches employees' contributions to the plan, up to a maximum of 5% of eligible compensation. The Organization's total contributions to the Plan for the years ended June 30, 2024 and 2023 were \$380,238 and \$475,352, respectively.

NOTE H: 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 Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

NOTE I: CONCENTRATIONS

At June 30, 2024 and 2023, approximately 91% and 84%, respectively of grants and contracts receivables are due from New York State relating to certain grants. At June 30, 2024 and 2023, approximately 2% and 12% of grants and contracts receivables are due from NYCDOE relating to certain grants, respectively. At June 30, 2024 and 2023, all of the property tax refund receivable is due from the Organization's landlord.

During the years ended June 30, 2024 and 2023, 64% and 65%, respectively 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 each Charter School's students reside.

NOTE J: LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Loan payable to nonprofit revolving loan fund, due in monthly installments of \$32,359, including interest at 3.7% through August 2050. The loan is secured by a leasehold mortgage on certain property as well as a first priority lien security interest in the gross revenues of Friends. In connection with this loan, Public Prep Academies and Boys Prep specifically are both subject to certain financial and operational covenants. The Organization was in compliance with these covenants as of June 30, 2024.	\$ 6,503,082	\$ 6,647,374
Less unamortized debt issuance costs	(372,339)	(386,614)
Less current portion of long-term debt	<u>(150,219)</u>	<u>(144,771)</u>
	<u>\$ 5,980,524</u>	<u>\$ 6,115,989</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE J: LONG-TERM DEBT, Cont'd

Estimated annual maturities of long-term debt at June 30, 2024 as described above, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2025	\$ 150,219
2026	155,873
2027	161,739
2028	167,826
2029	174,142
Thereafter	<u>5,693,283</u>
	<u>\$ 6,503,082</u>

NOTE K: FUNCTIONAL EXPENSES

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

NOTE L: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Undesignated	\$ 18,268,990	\$ 20,382,590
Invested in property and equipment, net of related debt	11,381,417	6,778,826
Right of use assets, net of related lease liabilities	<u>(3,661,817)</u>	<u>(3,102,733)</u>
	<u>\$ 25,988,590</u>	<u>\$ 24,058,683</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE L: NET ASSETS, Cont'd

Net assets with donor restrictions are as follows:

	June 30,	
	2024	2023
Subject to expenditure for specified purpose:		
Eyeglasses	\$ 2,842	\$ 2,842
Hydroponics	9,000	-
Career programs	197,004	-
Physical and health curriculum and community service programs	57,459	-
Time restricted	65,668	-
	<u>\$ 331,973</u>	<u>\$ 2,842</u>

NOTE M: VERTEX PARTNERSHIP ACADEMIES JOINT HIGH SCHOOL OPERATIONS

Management company fees

As described in Note A, the Organization entered into an agreement with Vertex Partnership Academies, Inc. to manage a joint high school program incorporating scholars from Girls Prep LES, Boys Prep, Girls Prep Bronx, and Brilla College Preparatory Charter Schools, another charter school. In connection with the agreement, the Organization pays a service fee to Vertex Partnership Academies, Inc. for their role in managing the joint high school equal to 15% of all the public revenues received by the Organization for its students attending the joint high school. Public revenues exclude any Federal Public Charter School Program Planning and Implementation Grants ("CSP") or any funding allocated or awarded during the 2021-2022 school year under the American Rescue Plan Elementary and Secondary School Emergency Relief Fund, the American Rescue Plan Act of 2021 or the Coronavirus Aid, Recovery and Economic Security Act. The Organization paid management company fees related to high school operations of \$473,405 and \$250,904 for the years ended June 30, 2024 and 2023, respectively.

Joint high school funding

Under the agreement, the Organization is to transfer to the joint high school all funds received from any governmental or private entity with respect to the joint high school program and its students including but not limited to, per pupil funding received from New York State and its municipalities and school districts; all Federal Government funding including Title I, Title II, E-rate, and CSP funding; and all startup funding received from private foundations with respect to the joint high school program. Any rental assistance received through the New York City Department of Education by the Organization shall be used towards rental payments for the high school facility for students enrolled in the joint high school program.

Contribution from joint high school program

The agreement also states that it is the sole responsibility of Vertex Partnership Academies, Inc. to ensure that it has sufficient funds to run the joint high school program should additional funds be required beyond the joint high school funding and the management company fees. During the years ended June 30, 2024 and 2023, Vertex Partnership Academies, Inc. made contributions to the Girls Prep LES, Boys Prep and Girls Prep Bronx portion of the joint high school program totaling \$1,272,498 and \$831,346, respectively.

PUBLIC PREP CHARTER SCHOOL ACADEMIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024

(With Comparative Totals for 2023)

NOTE N: 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 Organization has recognized \$4,329,449 and \$5,139,200 of revenue relative to ESSER grants during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024, the Organization has approximately \$475,000 of ESSER grants still available through September 30, 2024.

The Emergency Connectivity Fund (ECF) was also established to award grants to state and local educational agencies. There were no ECF grants recognized during the year ended June 30, 2024. The Organization recognized \$385,200 of revenue relative to ECF grants during the year ended June 30, 2023.

NOTE O: CHARTER RENEWAL PROCESS

Public Prep Charter School Academies is currently in the process of renewing the charters for each of its schools as granted by the Board of Regents of the University of the State of New York. The charters currently expire June 30, 2025 and July 31, 2025. The renewal process includes review by the SUNY Charter Schools Institute of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Upon review of the application and results, SUNY CSI will determine if the charter should be renewed, and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Organization expects the charters to be renewed.

NOTE P: PARTNERSHIP WITH EXCELLENCE COMMUNITY SCHOOLS, INC.

Subsequent to June 30, 2024, the Public Prep Charter School Academies Board of Trustees approved entering into a partnership with Excellence Community Schools, Inc., a charter school management organization in the New York City area. As of November 1, 2024, details of the partnership are not yet finalized.

**PUBLIC PREP CHARTER SCHOOL ACADEMIES**

**OTHER FINANCIAL INFORMATION**



BUSINESS  
ADVISORS  
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Public Prep Charter School Academies

We have audited the consolidated financial statements of Public Prep Charter School Academies as of and for the year ended June 30, 2024, and have issued our report thereon dated November 1, 2024 which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other financial information hereinafter is presented for purposes of additional analysis and are not required parts 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 information is fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2024, as a whole.

We have also audited the consolidated financial statements of Public Prep Charter School Academies as of and for the year ended June 30, 2023, and our report thereon dated November 15, 2023 expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on those consolidated financial statements as a whole. The 2023 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2023 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 2023 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 2023 consolidated financial statements or to the 2023 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 information is fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2023, as a whole.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
November 1, 2024

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2024

ASSETS	Public Prep Charter School Academies								Friends of Girls Preparatory Charter School of New York	Eliminations	Consolidated Total
	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	Girls Preparatory Charter School of the Bronx II	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	Pre Prep 3	Total			
<u>CURRENT ASSETS</u>											
Cash	\$ 1,842,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,842,314	\$ 2,023,802	\$ -	\$ 3,866,116
Certificates of deposit	6,465,486	-	-	-	-	-	-	6,465,486	-	-	6,465,486
Grants and contracts receivable	1,743,429	2,388,619	3,124,089	225,001	188,874	128,887	-	7,798,899	2,592,127	(2,528,367)	7,862,659
Property tax refund receivable	-	-	-	-	-	-	-	-	950,280	-	950,280
Prepaid expenses and other current assets	519,683	49,383	33,393	3,884	-	-	-	606,343	224,740	-	831,083
<b>TOTAL CURRENT ASSETS</b>	<b>10,570,912</b>	<b>2,438,002</b>	<b>3,157,482</b>	<b>228,885</b>	<b>188,874</b>	<b>128,887</b>	<b>-</b>	<b>16,713,042</b>	<b>5,790,949</b>	<b>(2,528,367)</b>	<b>19,975,624</b>
<u>OTHER ASSETS</u>											
Property and equipment, net	687,175	1,120,329	859,822	99,571	1,054	46,550	-	2,814,501	14,697,659	-	17,512,160
Related party (payables) receivables	(7,836,744)	9,343,523	13,105,171	(2,528,552)	(604,185)	(134,115)	(87,389)	11,257,709	(9,504,983)	-	1,752,726
Right-of-use assets - finance	91,172	332,518	418,081	97,648	-	-	-	939,419	-	-	939,419
Right-of-use assets - operating	-	84,669,029	-	-	-	-	-	84,669,029	54,338,668	(84,669,029)	54,338,668
Security deposits	-	502,325	-	-	-	-	-	502,325	440,066	-	942,391
Cash in escrow	250,576	-	-	-	-	-	-	250,576	-	-	250,576
Restricted cash	-	-	-	1,267,416	-	-	-	1,267,416	-	-	1,267,416
	(6,807,821)	95,967,724	14,383,074	(1,063,917)	(603,131)	(87,565)	(87,389)	101,700,975	59,971,410	(84,669,029)	77,003,356
<b>TOTAL ASSETS</b>	<b>\$ 3,763,091</b>	<b>\$ 98,405,726</b>	<b>\$ 17,540,556</b>	<b>\$ (835,032)</b>	<b>\$ (414,257)</b>	<b>\$ 41,322</b>	<b>\$ (87,389)</b>	<b>\$ 118,414,017</b>	<b>\$ 65,762,359</b>	<b>\$ (87,197,396)</b>	<b>\$ 96,978,980</b>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY CHARTER, Cont'd

JUNE 30, 2024

<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>	Public Prep Charter School Academies										
	<u>Girls Preparatory Charter School of New York</u>	<u>Boys Preparatory Charter School of New York</u>	<u>Girls Preparatory Charter School of the Bronx</u>	<u>Girls Preparatory Charter School of the Bronx II</u>	<u>PrePrep: the Joan Ganz Cooney Early Learning Program</u>	<u>PrePrep 2</u>	<u>Pre Prep 3</u>	<u>Total</u>	<u>Friends of Girls Preparatory Charter School of New York</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<u>CURRENT LIABILITIES</u>											
Accounts payable and accrued expenses	\$ 1,189,042	\$ 346,176	\$ 1,257,533	\$ 55,225	\$ 3,114	\$ 80,996	\$ -	\$ 2,932,086	\$ 848,510	\$ -	\$ 3,780,596
Accrued payroll and benefits	269,284	723,037	551,255	161,949	48,303	48,812	-	1,802,640	4,534	-	1,807,174
Current portion of long-term debt	-	-	-	-	-	-	-	-	150,219	-	150,219
Current portion of lease liabilities - finance	28,745	121,212	121,375	25,193	-	-	-	296,525	-	-	296,525
Current portion of lease liabilities - operating	-	3,155,518	-	-	-	-	-	3,155,518	756,001	(3,155,518)	756,001
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,487,071</b>	<b>4,345,943</b>	<b>1,930,163</b>	<b>242,367</b>	<b>51,417</b>	<b>129,808</b>	<b>-</b>	<b>8,186,769</b>	<b>1,759,264</b>	<b>(3,155,518)</b>	<b>6,790,515</b>
<u>LONG-TERM LIABILITIES</u>											
Long-term debt, net of unamortized debt issuance costs of \$372,339 and \$386,614 at June 30, 2024 and 2023, respect	-	-	-	-	-	-	-	-	5,980,524	-	5,980,524
Long-term lease liabilities - finance	70,898	221,226	251,512	74,740	-	-	-	618,376	-	-	618,376
Long-term lease liabilities - operating	-	84,041,878	-	-	-	-	-	84,041,878	57,269,002	(84,041,878)	57,269,002
<b>TOTAL LIABILITIES</b>	<b>1,557,969</b>	<b>88,609,047</b>	<b>2,181,675</b>	<b>317,107</b>	<b>51,417</b>	<b>129,808</b>	<b>-</b>	<b>92,847,023</b>	<b>65,008,790</b>	<b>(87,197,396)</b>	<b>70,658,417</b>
<u>NET ASSETS (DEFICIT)</u>											
Without donor restrictions	2,094,664	9,695,344	15,247,701	(1,161,139)	(465,674)	(88,486)	(87,389)	25,235,021	753,569	-	25,988,590
With donor restrictions	110,458	101,335	111,180	9,000	-	-	-	331,973	-	-	331,973
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>2,205,122</b>	<b>9,796,679</b>	<b>15,358,881</b>	<b>(1,152,139)</b>	<b>(465,674)</b>	<b>(88,486)</b>	<b>(87,389)</b>	<b>25,566,994</b>	<b>753,569</b>	<b>-</b>	<b>26,320,563</b>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<b>\$ 3,763,091</b>	<b>\$ 98,405,726</b>	<b>\$ 17,540,556</b>	<b>\$ (835,032)</b>	<b>\$ (414,257)</b>	<b>\$ 41,322</b>	<b>\$ (87,389)</b>	<b>\$ 118,414,017</b>	<b>\$ 65,762,359</b>	<b>\$ (87,197,396)</b>	<b>\$ 96,978,980</b>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2024

	Public Prep Charter School Academies										
	Girls Preparatory Charter School of New York	Boys Preparatory Charter School of New York	Girls Preparatory Charter School of the Bronx	Girls Preparatory Charter School of the Bronx II	PrePrep: the Joan Ganz Cooney Early Learning Program	PrePrep 2	Pre Prep 3	Total	Friends of Girls Preparatory Charter School of New York	Eliminations	Consolidated Total
Revenue, gains and other support:											
Public school district:											
Resident student enrollment	\$ 3,640,526	\$ 10,773,765	\$ 11,174,180	\$ 2,387,357	\$ 629,580	\$ 644,436	\$ -	\$ 29,249,844	\$ -	\$ -	\$ 29,249,844
Students with disabilities	749,663	2,189,626	1,245,842	293,614	-	-	-	4,478,745	-	-	4,478,745
Grants and contracts:											
State and local	349,320	60,257	647,553	11,049	-	-	-	1,068,179	-	-	1,068,179
Federal - Title and IDEA	307,107	818,412	728,100	148,282	-	-	-	2,001,901	-	-	2,001,901
Federal - other	1,573,138	1,963,035	2,873,025	104,112	-	-	-	6,513,310	-	-	6,513,310
NYC DOE rental assistance	228,894	3,206,061	250,656	-	-	-	-	3,685,611	-	-	3,685,611
Contributions - nonfinancial assets, in-kind rent	863,263	-	3,077,819	704,394	188,874	-	-	4,834,350	-	-	4,834,350
Food Service/Child Nutrition Program	-	679,457	-	-	-	44,260	-	723,717	-	-	723,717
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<b>7,711,911</b>	<b>19,690,613</b>	<b>19,997,175</b>	<b>3,648,808</b>	<b>818,454</b>	<b>688,696</b>	<b>-</b>	<b>52,555,657</b>	<b>-</b>	<b>-</b>	<b>52,555,657</b>
Expenses:											
Program services:											
Regular education	4,379,514	11,629,932	11,091,512	2,712,932	-	-	-	29,813,890	3,703,497	(3,303,183)	30,214,204
Special education	2,545,408	9,242,938	4,530,422	1,383,528	-	-	-	17,702,296	1,557,716	(3,059,703)	16,200,309
Pre-K	-	-	-	-	896,873	673,023	-	1,569,896	377,084	(60,000)	1,886,980
<b>Total Program Services</b>	<b>6,924,922</b>	<b>20,872,870</b>	<b>15,621,934</b>	<b>4,096,460</b>	<b>896,873</b>	<b>673,023</b>	<b>-</b>	<b>49,086,082</b>	<b>5,638,297</b>	<b>(6,422,886)</b>	<b>48,301,493</b>
Management and general	1,080,653	895,946	1,810,454	435,474	1,556	13,208	5,653	4,242,944	102,933	(224,081)	4,121,796
<b>TOTAL OPERATING EXPENSES</b>	<b>8,005,575</b>	<b>21,768,816</b>	<b>17,432,388</b>	<b>4,531,934</b>	<b>898,429</b>	<b>686,231</b>	<b>5,653</b>	<b>53,329,026</b>	<b>5,741,230</b>	<b>(6,646,967)</b>	<b>52,423,289</b>
<b>SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS</b>	<b>(293,664)</b>	<b>(2,078,203)</b>	<b>2,564,787</b>	<b>(883,126)</b>	<b>(79,975)</b>	<b>2,465</b>	<b>(5,653)</b>	<b>(773,369)</b>	<b>(5,741,230)</b>	<b>6,646,967</b>	<b>132,368</b>
Support and other revenue:											
Contributions:											
Foundations	-	33,500	294,400	9,000	-	-	-	336,900	-	-	336,900
Corporations	178,860	970,129	123,509	99	-	-	-	1,272,597	-	-	1,272,597
Interest income	331,946	33,212	-	17,416	-	-	-	382,574	-	-	382,574
Other income	23,077	80,262	19,313	7,911	1,119	-	-	131,682	2,917	-	134,599
Rental income	-	-	-	-	-	-	-	-	6,646,967	(6,646,967)	-
<b>TOTAL SUPPORT AND OTHER REVENUE</b>	<b>533,883</b>	<b>1,117,103</b>	<b>437,222</b>	<b>34,426</b>	<b>1,119</b>	<b>-</b>	<b>-</b>	<b>2,123,753</b>	<b>6,649,884</b>	<b>(6,646,967)</b>	<b>2,126,670</b>
<b>CHANGE IN NET ASSETS</b>	<b>240,219</b>	<b>(961,100)</b>	<b>3,002,009</b>	<b>(848,700)</b>	<b>(78,856)</b>	<b>2,465</b>	<b>(5,653)</b>	<b>1,350,384</b>	<b>908,654</b>	<b>-</b>	<b>2,259,038</b>
Net assets (deficit) at beginning of year	1,964,903	10,757,779	12,356,872	(303,439)	(386,818)	(90,951)	(81,736)	24,216,610	(155,085)	-	24,061,525
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ 2,205,122</b>	<b>\$ 9,796,679</b>	<b>\$ 15,358,881</b>	<b>\$ (1,152,139)</b>	<b>\$ (465,674)</b>	<b>\$ (88,486)</b>	<b>\$ (87,389)</b>	<b>\$ 25,566,994</b>	<b>\$ 753,569</b>	<b>\$ -</b>	<b>\$ 26,320,563</b>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – GIRLS PREPARATORY CHARTER SCHOOL  
OF NEW YORK

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

	No. of Positions	Program Services			Supporting Services			Total	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2024	2023
Personnel services costs:									
Administrative staff personnel	6	\$ 435,786	\$ 129,909	\$ 565,695	\$ 308,662	\$ -	\$ 308,662	\$ 874,357	\$ 1,619,845
Instructional personnel	28	1,576,597	1,175,270	2,751,867	51,753	-	51,753	2,803,620	3,721,135
Total personnel services costs	34	2,012,383	1,305,179	3,317,562	360,415	-	360,415	3,677,977	5,340,980
Fringe benefits and payroll taxes		288,927	187,390	476,317	51,746	-	51,746	528,063	1,140,969
Retirement		46,532	30,180	76,712	8,334	-	8,334	85,046	212,407
Management company fees		429,452	128,021	557,473	139,368	-	139,368	696,841	963,919
Legal service		-	-	-	20,190	-	20,190	20,190	83,610
Accounting and auditing services		-	-	-	17,446	-	17,446	17,446	15,309
Other professional and consulting services		222,075	78,919	300,994	56,630	-	56,630	357,624	615,150
Building rent / lease / facility finance interest		188,289	122,120	310,409	33,722	-	33,722	344,131	148,550
In-kind rent		472,329	306,341	778,670	84,593	-	84,593	863,263	1,411,447
Repairs and maintenance		50,915	33,022	83,937	9,119	-	9,119	93,056	29,808
Insurance		21,275	13,798	35,073	3,810	-	3,810	38,883	57,680
Utilities		20,427	13,249	33,676	3,659	-	3,659	37,335	55,277
Supplies and materials		109,762	38,370	148,132	842	-	842	148,974	208,271
Equipment and furnishings		20,798	13,490	34,288	3,725	-	3,725	38,013	59,047
Staff development		57,602	37,358	94,960	10,316	-	10,316	105,276	115,729
Marketing and recruiting		48,832	31,671	80,503	8,746	-	8,746	89,249	100,691
Technology		39,272	17,939	57,211	3,185	-	3,185	60,396	121,055
Food service		2,701	805	3,506	-	-	-	3,506	12,202
Student services		144,039	55,310	199,349	6,322	-	6,322	205,671	131,230
Office expense		47,366	30,719	78,085	8,483	-	8,483	86,568	67,546
Depreciation and amortization		156,538	101,527	258,065	28,036	-	28,036	286,101	314,336
Other		-	-	-	221,966	-	221,966	221,966	86,558
		\$ 4,379,514	\$ 2,545,408	\$ 6,924,922	\$ 1,080,653	\$ -	\$ 1,080,653	\$ 8,005,575	\$ 11,291,771

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –  
BOYS PREPARATORY CHARTER SCHOOL OF NEW YORK

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

	Program Services				Supporting Services			Total	
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2024	2023
Personnel services costs:									
Administrative staff personnel	16	\$ 1,110,164	\$ 466,942	\$ 1,577,106	\$ 339,220	\$ -	\$ 339,220	\$ 1,916,326	\$ 2,210,105
Instructional personnel	79	3,004,116	3,184,073	6,188,189	-	-	-	6,188,189	6,990,993
Non-instructional personnel	-	-	-	-	-	-	-	-	77,444
Total personnel services costs	95	4,114,280	3,651,015	7,765,295	339,220	-	339,220	8,104,515	9,278,542
Fringe benefits and payroll taxes		767,080	680,708	1,447,788	63,245	-	63,245	1,511,033	1,850,723
Retirement		64,455	57,198	121,653	5,314	-	5,314	126,967	70,349
Management company fees		1,109,666	466,732	1,576,398	394,100	-	394,100	1,970,498	2,117,754
Legal services		-	-	-	148,003	-	148,003	148,003	149,874
Accounting and auditing services		-	-	-	32,047	-	32,047	32,047	39,212
Other professional and consulting services		467,845	264,029	731,874	101,593	-	101,593	833,467	787,025
Building rent / lease / facility finance interest		3,456,316	3,067,136	6,523,452	284,971	-	284,971	6,808,423	5,578,796
Repairs and maintenance		1,503	1,335	2,838	124	-	124	2,962	8,958
Insurance		66,783	59,262	126,045	5,506	-	5,506	131,551	121,779
Utilities		27,056	24,010	51,066	2,231	-	2,231	53,297	117,280
Supplies and materials		235,495	93,807	329,302	1,111	-	1,111	330,413	404,529
Equipment and furnishings		16,530	14,667	31,197	1,363	-	1,363	32,560	14,888
Staff development		107,235	95,162	202,397	8,842	-	8,842	211,239	180,481
Marketing and recruiting		100,971	89,602	190,573	8,325	-	8,325	198,898	194,628
Technology		75,635	56,174	131,809	4,303	-	4,303	136,112	193,076
Food service		458,485	192,842	651,327	-	-	-	651,327	746,372
Student services		194,740	104,602	299,342	4,008	-	4,008	303,350	221,322
Office expense		46,156	40,953	87,109	3,805	-	3,805	90,914	95,949
Depreciation and amortization		319,701	283,704	603,405	26,359	-	26,359	629,764	604,662
Other		-	-	-	(538,524)	-	(538,524)	(538,524)	19,198
		<u>\$ 11,629,932</u>	<u>\$ 9,242,938</u>	<u>\$ 20,872,870</u>	<u>\$ 895,946</u>	<u>\$ -</u>	<u>\$ 895,946</u>	<u>\$ 21,768,816</u>	<u>\$ 22,795,397</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –  
GIRLS PREPARATORY CHARTER SCHOOL OF THE BRONX

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

	Program Services				Supporting Services			Total	
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2024	2023
Personnel services costs:									
Administrative staff personnel	13	\$ 1,124,281	\$ 223,569	\$ 1,347,850	\$ 460,480	\$ -	\$ 460,480	\$ 1,808,330	\$ 2,043,637
Instructional personnel	66	3,418,947	1,883,997	5,302,944	-	-	-	5,302,944	6,375,296
Total personnel services costs	79	4,543,228	2,107,566	6,650,794	460,480	-	460,480	7,111,274	8,418,933
Fringe benefits and payroll taxes		856,343	397,146	1,253,489	86,549	-	86,549	1,340,038	1,589,437
Retirement		68,923	31,964	100,887	6,966	-	6,966	107,853	133,600
Management company fees		1,257,832	250,127	1,507,959	376,990	-	376,990	1,884,949	1,922,468
Legal services		-	-	-	22,607	-	22,607	22,607	28,659
Accounting and auditing services		-	-	-	33,930	-	33,930	33,930	39,265
Other professional and consulting services		676,839	180,769	857,608	104,256	-	104,256	961,864	459,054
Building rent / lease / facility finance interest		188,498	87,420	275,918	19,051	-	19,051	294,969	100,263
In-kind rent		1,966,860	912,172	2,879,032	198,787	-	198,787	3,077,819	3,384,059
Repairs and maintenance		15,839	7,346	23,185	1,601	-	1,601	24,786	15,541
Insurance		82,405	38,217	120,622	8,329	-	8,329	128,951	108,088
Utilities		74,051	34,342	108,393	7,484	-	7,484	115,877	94,144
Supplies and materials		306,892	61,302	368,194	2,157	-	2,157	370,351	501,298
Equipment and furnishings		(12,380)	(5,742)	(18,122)	(1,251)	-	(1,251)	(19,373)	1,284
Staff development		130,609	60,572	191,181	13,200	-	13,200	204,381	190,263
Marketing and recruiting		112,947	52,381	165,328	11,415	-	11,415	176,743	163,204
Technology		152,893	63,452	216,345	12,608	-	12,608	228,953	149,849
Food service		8,963	1,782	10,745	-	-	-	10,745	24,664
Student services		292,595	78,855	371,450	7,886	-	7,886	379,336	165,862
Office expense		50,758	23,542	74,300	5,130	-	5,130	79,430	90,331
Depreciation and amortization		317,417	147,209	464,626	32,081	-	32,081	496,707	436,932
Other		-	-	-	400,198	-	400,198	400,198	22,328
		<u>\$ 11,091,512</u>	<u>\$ 4,530,422</u>	<u>\$ 15,621,934</u>	<u>\$ 1,810,454</u>	<u>\$ -</u>	<u>\$ 1,810,454</u>	<u>\$ 17,432,388</u>	<u>\$ 18,039,526</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –  
GIRLS PREPARATORY CHARTER SCHOOL OF THE BRONX II

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

	No. of Positions	Program Services			Supporting Services			Total	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Year ended June 30,	
								2024	2023
Personnel services costs:									
Administrative staff personnel	8	\$ 527,415	\$ 121,245	\$ 648,660	\$ 191,627	\$ -	\$ 191,627	\$ 840,287	\$ 461,673
Instructional personnel	21	741,613	594,374	1,335,987	2,210	-	2,210	1,338,197	1,607,696
Total personnel services costs	29	1,269,028	715,619	1,984,647	193,837	-	193,837	2,178,484	2,069,369
Fringe benefits and payroll taxes		256,333	144,550	400,883	39,154	-	39,154	440,037	379,376
Retirement		24,595	13,870	38,465	3,757	-	3,757	42,222	46,630
Management company fees		257,740	59,251	316,991	79,248	-	79,248	396,239	388,639
Legal services		-	-	-	243	-	243	243	35,468
Accounting and auditing services		-	-	-	16,435	-	16,435	16,435	655
Other professional and consulting services		160,990	58,099	219,089	33,962	-	33,962	253,051	140,404
Building rent / lease / facility finance interest		-	-	-	-	-	-	-	979,025
In-kind rent		410,329	231,389	641,718	62,676	-	62,676	704,394	-
Repairs and maintenance		25,038	14,120	39,158	3,825	-	3,825	42,983	840
Insurance		15,385	8,676	24,061	2,350	-	2,350	26,411	29,965
Utilities		19,476	10,983	30,459	2,975	-	2,975	33,434	24,280
Supplies and materials		52,168	13,089	65,257	501	-	501	65,758	79,304
Equipment and furnishings		1,463	825	2,288	224	-	224	2,512	50,586
Staff development		52,844	29,799	82,643	8,072	-	8,072	90,715	50,811
Marketing and recruiting		15,722	8,865	24,587	2,401	-	2,401	26,988	38,104
Technology		19,355	8,467	27,822	1,837	-	1,837	29,659	59,294
Food service		2,212	509	2,721	-	-	-	2,721	111,657
Student services		42,604	15,989	58,593	2,833	-	2,833	61,426	23,956
Office expense		14,746	8,316	23,062	2,253	-	2,253	25,315	25,871
Depreciation and amortization		72,904	41,112	114,016	11,136	-	11,136	125,152	119,052
Other		-	-	-	(32,245)	-	(32,245)	(32,245)	5,451
		\$ 2,712,932	\$ 1,383,528	\$ 4,096,460	\$ 435,474	\$ -	\$ 435,474	\$ 4,531,934	\$ 4,658,737

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM –  
PREPREP: THE JOAN GANZ COONEY EARLY LEARNING PROGRAM

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

	No. of Positions	Program Services	Supporting Services		Total	
		Pre-K	Management and general	Fundraising and special events	Year ended June 30,	
						2024
Personnel services costs:						
Administrative staff personnel	-	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ -
Instructional personnel	<u>7</u>	<u>491,978</u>	<u>-</u>	<u>-</u>	<u>491,978</u>	<u>520,257</u>
Total personnel services costs	7	531,978	-	-	531,978	520,257
Fringe benefits and payroll taxes		91,067	-	-	91,067	129,005
Retirement		11,391	-	-	11,391	6,541
Legal service		-	-	-	-	83
Accounting and auditing services		-	-	-	-	2,997
Other professional and consulting services		944	10,226	-	11,170	23,057
In-kind rent		188,874	-	-	188,874	184,326
Insurance		13,589	-	-	13,589	10,920
Utilities		1,725	-	-	1,725	794
Supplies and materials		21,200	-	-	21,200	6,352
Equipment and furnishings		2,148	-	-	2,148	-
Staff development		17,667	-	-	17,667	23,012
Marketing and recruiting		-	-	-	-	12,679
Technology		3,392	-	-	3,392	11,158
Office expense		3,342	-	-	3,342	1,583
Depreciation and amortization		9,556	-	-	9,556	9,556
Other		<u>-</u>	<u>(8,670)</u>	<u>-</u>	<u>(8,670)</u>	<u>1,037</u>
		<u>\$ 896,873</u>	<u>\$ 1,556</u>	<u>\$ -</u>	<u>\$ 898,429</u>	<u>\$ 943,357</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM –  
PREPREP 2

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

	No. of Positions	Program Services	Supporting Services		Total	
		Pre-K 2	Management and general	Fundraising and special events	Year ended June 30,	
					2024	2023
Personnel services costs:						
Instructional personnel	6	\$ 418,354	\$ -	\$ -	\$ 418,354	\$ 319,909
Total personnel services costs	6	418,354	-	-	418,354	319,909
Fringe benefits and payroll taxes		92,489	-	-	92,489	58,077
Retirement		6,759	-	-	6,759	5,825
Legal service		-	-	-	-	42
Accounting and auditing services		-	-	-	-	1,498
Other professional and consulting services		2,922	13,208	-	16,130	21,036
Building rent / lease / facility finance interest		60,000	-	-	60,000	210,786
Insurance		13,589	-	-	13,589	5,460
Utilities		1,500	-	-	1,500	329
Supplies and materials		20,128	-	-	20,128	5,160
Equipment and furnishings		7,000	-	-	7,000	-
Staff development		18,715	-	-	18,715	11,106
Marketing and recruiting		102	-	-	102	6,339
Technology		7,114	-	-	7,114	8,597
Food service		610	-	-	610	48,397
Student services		3,040	-	-	3,040	273
Office expense		4,991	-	-	4,991	790
Depreciation and amortization		15,710	-	-	15,710	27,710
		<u>\$ 673,023</u>	<u>\$ 13,208</u>	<u>\$ -</u>	<u>\$ 686,231</u>	<u>\$ 731,334</u>

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM –  
PREPREP 3

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

	No. of Positions	Program Services	Supporting Services		Total	
		Pre-K 3	Management and general	Fundraising and special events	Year ended June 30,	
						2024
Personnel services costs:						
Instructional personnel	-	\$ -	\$ -	\$ -	\$ -	\$ 140,004
Total personnel services costs	-	-	-	-	-	140,004
Fringe benefits and payroll taxes		-	-	-	-	34,821
Legal service		-	-	-	-	21
Accounting and auditing services		-	-	-	-	749
Other professional and consulting services		-	-	-	-	13,049
In-kind rent		-	-	-	-	66,167
Insurance		-	-	-	-	2,730
Supplies and materials		-	-	-	-	2,998
Staff development		-	-	-	-	8,053
Marketing and recruiting		-	-	-	-	3,170
Technology		-	-	-	-	3,473
Office expense		-	-	-	-	120
Depreciation and amortization		-	-	-	-	5,484
Other		-	5,653	-	5,653	-
		\$ -	\$ 5,653	\$ -	\$ 5,653	\$ 280,839

PUBLIC PREP CHARTER SCHOOL ACADEMIES

STATEMENT OF FUNCTIONAL EXPENSES – FRIENDS OF PUBLIC PREP

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

	No. of Positions	Program Services				Supporting Services Management and general	Total	
		Regular Education	Special Education	Other Program	Sub-total		Year ended June 30,	
							2024	2023
Personnel services costs:								
Non-instructional personnel	<u>2</u>	\$ 78,188	\$ 32,887	\$ 7,961	\$ 119,036	\$ -	\$ 119,036	\$ -
Total personnel services costs	2	78,188	32,887	7,961	119,036		119,036	-
Fringe benefits and payroll taxes		211	89	22	322	-	322	-
Legal services		-	-	-	-	63,885	63,885	16,745
Accounting and auditing services		-	-	-	-	12,320	12,320	5,700
Other professional and consulting services		443,629	186,593	45,169	675,391	-	675,391	766,043
Building rent / lease / facility finance interest		2,280,268	959,095	232,173	3,471,536	-	3,471,536	3,446,198
Repairs and maintenance		225,358	94,787	22,946	343,091	-	343,091	420,478
Utilities		252,436	106,177	25,703	384,316	-	384,316	309,329
Equipment / furnishings		13,713	5,768	1,396	20,877	-	20,877	45,918
Student services		5,341	2,247	544	8,132	-	8,132	330
Office expense		-	-	-	-	12,828	12,828	2,504
Depreciation and amortization		404,353	170,073	41,170	615,596	-	615,596	454,260
Other		-	-	-	-	13,900	13,900	-
		<u>\$ 3,703,497</u>	<u>\$ 1,557,716</u>	<u>\$ 377,084</u>	<u>\$ 5,638,297</u>	<u>\$ 102,933</u>	<u>\$ 5,741,230</u>	<u>\$ 5,467,505</u>

**PUBLIC PREP CHARTER SCHOOL ACADEMIES**

**ADVISORY COMMENT LETTER**

**JUNE 30, 2024**



BUSINESS  
ADVISORS  
AND CPAS



BUSINESS  
ADVISORS  
AND CPAS

November 1, 2024

To the Board of Trustees and Management  
Public Prep Charter School Academies

In planning and performing our audit of the consolidated financial statements of Public Prep Charter School Academies (the “Organization”) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization’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 the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Organization’s consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 may exist that have not been identified.

During the course of our audit of the financial statements of the Organization as of and for the year ended June 30, 2024, we observed the Organization’s significant accounting policies and procedures and certain business, financial, and administrative practices. As a result of our observations, we have updated the status of the following comment that was previously communicated to management in conjunction with the audit of the financial statements for the year ended June 30, 2023, in our letter dated November 15, 2023.

**Significant auditor adjustments**

During the 2021 fiscal year, the Organization transitioned to a new outsourced financial consulting firm. During the transition, the intricacies of the required financial reporting for the different charters and programs operated by the Organization were not fully understood. As a result, during our 2021 audit, certain significant auditor adjustments were necessary to properly state consolidated financial statement balances in accordance with accounting principles generally accepted in the United States of America (GAAP).

Status as of June 30, 2022

During our 2022 audit, we noted significant auditor adjustments were again required to properly state consolidated financial statement balances in accordance with accounting principles generally accepted in the United States (GAAP). The adjustments included journal entries to accounts receivable, accrued expenses, grant revenue, and payroll and benefits expense. Although the net effect of the entries was not material, this was due to significant offsetting adjustments which resulted in a small net impact, rather than minor adjustments in multiple areas.

Status as of June 30, 2023

During our 2023 audit, we noted management worked to develop an internal finance team and began to implement new internal financial processes and procedures. As the team is new, development and refinement of these procedures are still in process. Improvements were noted in accounting for the numerous grants received by the organization, including allocating expenses to the grants on a timely basis. Although improvements were made, auditor adjustments were still required to properly state consolidated financial statement balances in accordance with accounting principles generally accepted in the United States (GAAP). These included adjustments to accounts receivable, accounts payable, Pre-K revenue, child nutrition revenue, rental income, and payroll and benefits expense.

Status as of June 30, 2024

During our 2024 audit, we noted management transitioned to a new outsourced financial consulting firm. As a result, accounts were properly reconciled at year-end and there were no significant auditor adjustments necessary to properly state consolidated financial statement balances. Significant improvements have been made in utilization of the Organization’s accounting software to streamline operations and prevent errors from occurring.

\* \* \* \* \*

This letter is solely for the use of Management, Finance Committee Members and the Board of Trustees of Public Prep Charter School Academies and is not intended to be and should not be used by anyone other than those specified parties.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Prep Charter School Academies’ internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



MENGEL, METZGER, BARR & CO. LLP