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**NEW WORLD PREPARATORY CHARTER  
SCHOOL AND SUBSIDIARY**

**Consolidated Financial Statements  
and Supplementary Information**

For the years ended June 30, 2019 and 2018

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Consolidated Financial Statements**  
For the years ended June 30, 2019 and 2018

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## **Independent Auditors' Report**

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

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's responsibility for the consolidated financial statements**

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

### **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New World Preparatory Charter School and Subsidiary as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other reporting required by government auditing standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of New World Preparatory Charter School and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New World Preparatory Charter School and Subsidiary's internal control over financial reporting and compliance.

## **Report on supplementary information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary financial information included in the consolidating statement of financial position is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

New York, New York  
October 31, 2019

NChing LLP

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

As of June 30,

	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 479,280	\$4,104,931
Grants receivable	171,600	231,083
Prepaid expenses	<u>550,000</u>	<u>10,000</u>
Total current assets	1,200,880	4,346,014
<b>Property and equipment, net</b>	4,190,325	347,004
<b>Other assets</b>		
Restricted cash	<u>75,369</u>	<u>75,332</u>
Total assets	<u><u>\$5,466,574</u></u>	<u><u>\$4,768,350</u></u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 346,896	\$ 233,672
Accrued salaries and other payroll-related expenses	1,026,957	706,603
Refundable advances	<u>167,505</u>	<u>35,377</u>
Total current liabilities	<u>1,541,358</u>	<u>975,652</u>
<b>Net assets without donor restrictions</b>		
Undesignated	3,849,847	3,717,366
Reserve - contingency	<u>75,369</u>	<u>75,332</u>
Total net assets without donor restrictions	<u>3,925,216</u>	<u>3,792,698</u>
Total liabilities and net assets without donor restrictions	<u><u>\$5,466,574</u></u>	<u><u>\$4,768,350</u></u>

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

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY****Consolidated Statements of Activities**

For the years ended June 30,

	<u>2019</u>	<u>2018</u>
<b><u>Operating revenue and other support</u></b>		
<b>State and local per pupil operating revenue</b>		
General education	\$ 6,278,166	\$ 5,463,678
Special education	<u>1,752,330</u>	<u>1,641,594</u>
Total state and local per pupil operating revenue	8,030,496	7,105,272
<b>Grants, contract and other support</b>		
State and local grants	235,199	195,463
Federal grants	474,743	461,226
Contributions	40,418	11,696
Interest and other income	<u>215,837</u>	<u>35,757</u>
Total operating revenue and other support	<u>8,996,693</u>	<u>7,809,414</u>
<b><u>Expenses</u></b>		
<b>Program expenses</b>		
Regular education	6,085,028	5,336,628
Special education	<u>1,619,706</u>	<u>1,368,344</u>
Total program expenses	7,704,734	6,704,972
<b>Supporting services</b>		
Management and general	1,142,731	834,073
Fundraising	<u>16,710</u>	<u>25,442</u>
Total program and supporting services expenses	<u>8,864,175</u>	<u>7,564,487</u>
Change in net assets	132,518	244,927
Net assets without donor restrictions - beginning of year	<u>3,792,698</u>	<u>3,547,771</u>
Net assets without donor restrictions - end of year	<u>\$ 3,925,216</u>	<u>\$ 3,792,698</u>

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

## NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

### Consolidated Statement of Functional Expenses

For the year ended June 30, 2019

	Program expenses			Supporting services		Total Program and Supporting Services
	Regular education	Special education	Total programs	Fundraising	Management & general	
Salaries						
Instructional personnel	2,465,840	786,397	\$ 3,252,237	\$ -	\$ -	\$ 3,252,237
Administrative staff personnel	545,541	21,748	567,289	-	332,115	899,404
Non-instructional personnel	439,671	17,527	457,198	-	267,663	724,861
<b>Total salaries</b>	<b>3,451,052</b>	<b>825,672</b>	<b>4,276,724</b>	<b>-</b>	<b>599,778</b>	<b>4,876,502</b>
Operating expenses						
Payroll taxes and fringe benefits	734,405	175,708	910,113	-	127,636	1,037,749
Retirement	78,331	18,741	97,072	-	13,614	110,686
Financial and administrative	259,217	103,687	362,904	-	61,509	424,413
Contracted services	59,157	14,153	73,310	-	10,281	83,591
Administrative	36,208	8,663	44,871	-	6,293	51,164
Marketing and recruitment	9,639	2,306	11,945	-	1,675	13,620
Legal and professional	-	-	-	-	19,100	19,100
Insurance	54,864	13,167	68,031	-	41,697	109,728
Repairs and maintenance	187,905	44,957	232,862	-	32,657	265,519
Occupancy	81,597	19,522	101,119	-	14,181	115,300
School and staff development	224,601	57,420	282,021	-	38,280	320,301
Student services	2,865	49,949	52,814	-	367	53,181
Field trips	9,410	2,191	11,601	-	1,289	12,890
Food service	132,378	37,337	169,715	-	-	169,715
Supplies and instructional materials	220,182	52,679	272,861	-	38,267	311,128
Building, equipment leasing and furnishings	211,745	50,660	262,405	-	36,800	299,205
Technology	22,680	5,426	28,106	-	3,942	32,048
Utilities	72,822	17,423	90,245	-	12,656	102,901
Depreciation	152,420	36,495	188,915	-	25,761	214,676
Other expenses	83,550	83,550	167,100	16,710	56,948	240,758
<b>Total operating expenses</b>	<b>2,633,976</b>	<b>794,034</b>	<b>3,428,010</b>	<b>16,710</b>	<b>542,953</b>	<b>3,987,673</b>
<b>Total expenses</b>	<b>\$ 6,085,028</b>	<b>\$ 1,619,706</b>	<b>\$ 7,704,734</b>	<b>\$ 16,710</b>	<b>\$ 1,142,731</b>	<b>\$ 8,864,175</b>

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

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

For the year ended June 30, 2018

	Program expenses			Supporting services		Total Program and Supporting Services
	Regular education	Special education	Total programs	Fund raising	Management & general	
<b>Salaries</b>						
Instructional personnel	\$ 2,291,010	\$ 675,394	\$ 2,966,404	\$ -	\$ -	\$ 2,966,404
Administrative staff personnel	498,307	18,363	516,670	-	289,841	806,511
Non-instructional personnel	225,369	8,305	233,674	-	131,086	364,760
Total salaries	3,014,686	702,062	3,716,748	-	420,927	4,137,675
<b>Operating expenses</b>						
Payroll taxes and fringe benefits	624,179	145,359	769,538	-	87,151	856,689
Retirement	80,468	18,739	99,207	-	11,235	110,442
Financial and administrative	259,217	103,687	362,904	-	69,124	432,028
Contracted services	20,166	4,696	24,862	-	2,816	27,678
Administrative	35,159	8,188	43,347	-	4,909	48,256
Marketing and recruitment	13,177	3,068	16,245	-	1,840	18,085
Legal and professional	-	-	-	-	15,400	15,400
Insurance	50,732	11,815	62,547	-	45,143	107,690
Repairs and maintenance	168,032	39,131	207,163	-	23,462	230,625
Occupancy	84,007	19,564	103,571	-	11,729	115,300
School and staff development	258,495	60,199	318,694	-	36,093	354,787
Student services	2,614	45,572	48,186	-	335	48,521
Field trips	13,693	3,189	16,882	-	1,875	18,757
Food service	125,847	35,495	161,342	-	-	161,342
Supplies and instructional materials	244,991	57,054	302,045	-	34,207	336,252
Building, equipment leasing and furnishings	48,103	11,202	59,305	-	6,717	66,022
Technology	18,215	4,242	22,457	-	2,543	25,000
Utilities	61,869	14,408	76,277	-	8,638	84,915
Depreciation	174,847	40,718	215,565	-	24,413	239,978
Other expenses	38,131	39,956	78,087	25,442	25,516	129,045
Total operating expenses	2,321,942	666,282	2,988,224	25,442	413,146	3,426,812
Total expenses	\$ 5,336,628	\$ 1,368,344	\$ 6,704,972	\$ 25,442	\$ 834,073	\$ 7,564,487

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



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

For the years ended June 30,

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 132,518	\$ 244,927
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	214,676	239,978
Changes in operating assets and liabilities		
Grants receivable	59,483	(62,334)
Prepaid expenses	(540,000)	-
Accounts payable	113,224	(12,783)
Accrued salaries and other payroll-related expenses	320,354	14,811
Refundable advances	132,128	(187,908)
Net cash provided by operating activities	<u>432,383</u>	<u>236,691</u>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	(4,057,997)	(151,829)
Increase in restricted cash	(37)	(37)
Net cash used in investing activities	<u>(4,058,034)</u>	<u>(151,866)</u>
Net (decrease)/increase in cash and cash equivalents	(3,625,651)	84,825
Cash and cash equivalents - beginning of year	<u>4,104,931</u>	<u>4,020,106</u>
Cash and cash equivalents - end of year	<u>\$ 479,280</u>	<u>\$ 4,104,931</u>

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

# NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

## Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

### Note 1 Organization

New World Preparatory Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Staten Island, New York. The School was granted a five-year charter in February 2010 and commenced sixth grade classes in September 2010. Seventh and eighth grades were added in 2011 and 2012. The School is currently operating under its second charter renewal which is effective January 9, 2018 for an additional five years and were granted the expansion from Kindergarten to Fifth Grade, effectively making it a Kindergarten to Eight Grade school. In September 2018, fifth grade was added and in September 2019, kindergarten and first grade were added. The School provides an exceptional education for students by employing research-proven strategies to raise middle school academic achievement including academic rigor and relevance, personalization, focused professional development, and meaningful engagement of families and the larger community.

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

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

### Note 2 Summary of significant accounting policies

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

**Basis of presentation and use of estimates.** The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

### Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

#### Note 2 Summary of significant accounting policies – (continued)

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

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

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

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

**Reclassifications.** Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financials. These reclassifications have no effect on the changes in net asset.

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

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

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

**Grants receivable.** Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$171,600 and \$231,083 at June 30, 2019 and 2018 respectively. There is no allowance recorded at June 30, 2019 as all amounts are deemed collectible.

# NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

## Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

### Note 2 Summary of significant accounting policies – (continued)

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

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

Construction-in-progress at June 30, 2019 and June 30, 2018 consists of costs incurred for appraisal and architecture fees. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

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

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

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

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

# NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

## Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

### Note 2 Summary of significant accounting policies – (continued)

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

The expenses that are allocated include the following:

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

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying consolidated financial statements.

The School is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2016.

### Note 3 Property and equipment

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

	2019	2018
Leasehold improvements	\$ 1,173,262	\$ 1,080,480
Land	1,919,232	-
Building	959,356	-
Furniture and fixtures	162,221	144,153
Computer equipment	814,629	684,207
Office equipment	33,362	31,744
Construction-in-progress	980,768	44,249
	<u>6,042,830</u>	<u>1,984,833</u>
Less, accumulated depreciation	<u>(1,852,505)</u>	<u>(1,637,829)</u>
	<u>\$ 4,190,325</u>	<u>\$ 347,004</u>

## **NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

### **Notes to the Consolidated Financial Statements**

June 30, 2019 and 2018

#### **Note 4 Accrued salaries and other payroll-related expenses**

Accrued salaries and other payroll-related expenses consist of amounts earned by the staff during the school year which are paid out over the summer months. For the years ended June 30, 2019 and 2018, accrued bonuses relating to a retention plan were approximately \$427,435 and \$119,974, respectively. Also included in accrued salaries and other payroll-related expenses is accrued salary of \$599,522 and \$586,629 as of June 30, 2019 and 2018, respectively.

#### **Note 5 Retirement plan**

The School offers a 401(k) plan for all qualifying employees. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The School matches 100% of an employee's contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2019 and 2018, the School's matching contribution were \$ 110,686 and \$110,442, respectively. Such plan assets are held in a separate trust and are not included in the accompanying consolidated financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

#### **Note 6 Commitments**

The School is a lessee under an operating lease, principally for classroom space and administrative offices which expires June 30, 2020. For the years ended June 30, 2019 and 2018, rent expense was \$115,300 and \$115,300, respectively.

#### **Note 7 Concentration of credit risk**

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

The School received approximately 91% and 95% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the years ended June 30, 2019 and 2018, respectively. Additionally, the School's grants receivable consists of approximately 83% and 97%, respectively, from the New York State Department of Education.

## **NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**

### **Notes to the Consolidated Financial Statements**

June 30, 2019 and 2018

#### **Note 8 Contingency**

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

#### **Note 9 Subsequent Events**

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through October 31, 2019, the date that the consolidated financial statements were available to be issued. There were no events requiring adjustments or disclosure to the consolidated financial statements.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 31, 2019.

### **Internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered New World Preparatory Charter School and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control.

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

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



## **Compliance and other matters**

As part of obtaining reasonable assurance about whether New World Preparatory Charter School and Subsidiary's consolidated financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **Purpose of this report**

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

NChang LLP

New York, New York  
October 31, 2019

**NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**  
**Consolidating Statement of Financial Position**  
**For year ended June 30, 2019**

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Consolidated</u>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 479,280	\$ -	\$ 479,280
Grants receivable	171,600	-	171,600
Prepaid expenses	550,000	-	550,000
	<hr/>	<hr/>	<hr/>
Total current assets	1,200,880	-	1,200,880
<b>Property and equipment, net</b>	499,610	3,690,715	4,190,325
<b>Other assets</b>			
Restricted cash	75,369	-	75,369
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,775,859</u>	<u>\$ 3,690,715</u>	<u>\$ 5,466,574</u>
<b><u>Liabilities and Net Assets</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 276,856	\$ -	\$ 276,856
Accrued salaries and other payroll-related expenses	1,096,997	-	1,096,997
Refundable advances	167,505	-	167,505
	<hr/>	<hr/>	<hr/>
Total current liabilities	1,541,358	-	1,541,358
<b>Net assets without donor restrictions</b>			
Undesignated	159,132	3,690,715	3,849,847
Reserve - contingency	75,369	-	75,369
	<hr/>	<hr/>	<hr/>
Total net assets without donor restrictions	234,501	3,690,715	3,925,216
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets without donor restrictions	<u>\$ 1,775,859</u>	<u>\$ 3,690,715</u>	<u>\$ 5,466,574</u>