

Financial Statements and Report of
Independent Certified Public
Accountants

Children's Aid College Prep Charter School

June 30, 2021 and 2020

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Statements of functional expenses	8
Statements of cash flows	10
Notes to financial statements	11
Report Required by <i>Government Auditing Standards</i>	
Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20

GRANT THORNTON LLP

757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100

F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Children's Aid College Prep Charter School

Report on the financial statements

We have audited the accompanying financial statements of the Children's Aid College Prep Charter School (the "Charter School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the 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 Charter School'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Charter School as of June 30, 2021 and 2020, 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 28, 2021, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



New York, New York
October 28, 2021

Children's Aid College Prep Charter School

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents (Notes 2 and 11)	\$ 6,051,869	\$ 6,677,963
Government grants receivable (Notes 2 and 4)	561,578	560,315
Prepaid expenses and other assets	111,739	12,893
Total current assets	6,725,186	7,251,171
Property and equipment, net (Notes 2 and 5)	254,776	354,407
Total assets	\$ 6,979,962	\$ 7,605,578
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 490,480	\$ 264,266
Accrued payroll and benefits	1,370,505	1,644,320
CARES Act Paycheck Protection Plan loan payable (Note 12)	1,400,000	1,400,000
Due to affiliated entities (Note 11)	382,541	1,072,070
Total current liabilities	3,643,526	4,380,656
Commitments and contingencies (Note 9)		
Net assets		
Without donor restrictions	3,202,698	2,912,029
With donor restrictions (Note 6)	133,738	312,893
Total net assets	3,336,436	3,224,922
Total liabilities and net assets	\$ 6,979,962	\$ 7,605,578

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

Children's Aid College Prep Charter School

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Public school district (Notes 2 and 10)			
Resident student enrollment	\$ 10,134,497	\$ -	\$ 10,134,497
Students with disabilities	1,723,116	-	1,723,116
Grants and contracts (Note 2)			
State and local	125,277	-	125,277
Federal - Title 1 and IDEA	648,903	-	648,903
Support			
Contributed space	360,000	-	360,000
Rental Assistance	1,086,610	-	1,086,610
Net assets released from restrictions	206,405	(206,405)	-
Other	1,592	-	1,592
	<u>14,286,400</u>	<u>(206,405)</u>	<u>14,079,995</u>
Operating expenses			
Program services			
Regular education	12,681,489	-	12,681,489
Special education	1,153,601	-	1,153,601
	<u>13,835,090</u>	<u>-</u>	<u>13,835,090</u>
Supporting services			
Management and general	885,006	-	885,006
Fundraising	290	-	290
	<u>885,296</u>	<u>-</u>	<u>885,296</u>
	<u>14,720,386</u>	<u>-</u>	<u>14,720,386</u>
Deficit from school programs	<u>(433,986)</u>	<u>(206,405)</u>	<u>(640,391)</u>
Other revenue			
Contributions (Notes 2 and 11)	585,769	-	585,769
Contributions passed-through Children's Aid (Notes 2 and 11)	138,886	27,250	166,136
	<u>724,655</u>	<u>27,250</u>	<u>751,905</u>
Changes in net assets	<u>290,669</u>	<u>(179,155)</u>	<u>111,514</u>
Net assets - beginning of the year	<u>2,912,029</u>	<u>312,893</u>	<u>3,224,922</u>
Net assets - end of the year	<u>\$ 3,202,698</u>	<u>\$ 133,738</u>	<u>\$ 3,336,436</u>

The accompanying notes are an integral part of this financial statement.

Children's Aid College Prep Charter School

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Public school district (Notes 2 and 10)			
Resident student enrollment	\$ 10,347,983	\$ -	\$ 10,347,983
Students with disabilities	1,691,320	-	1,691,320
Grants and contracts (Note 2)			
State and local	270,321	-	270,321
Federal - Title 1 and IDEA	455,668	-	455,668
Support			
Contributed space	1,390,300	-	1,390,300
Net assets released from restrictions	438,698	(438,698)	-
Other	5,409	-	5,409
	<u>14,599,699</u>	<u>(438,698)</u>	<u>14,161,001</u>
Operating expenses			
Program services			
Regular education	12,147,192	-	12,147,192
Special education	1,180,916	-	1,180,916
	<u>13,328,108</u>	<u>-</u>	<u>13,328,108</u>
Supporting services			
Management and general	1,085,939	-	1,085,939
Fundraising	21,310	-	21,310
	<u>1,107,249</u>	<u>-</u>	<u>1,107,249</u>
	<u>14,435,357</u>	<u>-</u>	<u>14,435,357</u>
Surplus (deficit) from school programs	<u>164,342</u>	<u>(438,698)</u>	<u>(274,356)</u>
Other revenue			
Contributions (Notes 2 and 11)	52,315	-	52,315
Contributions passed-through Children's Aid (Notes 2 and 11)	76,187	15,000	91,187
	<u>128,502</u>	<u>15,000</u>	<u>143,502</u>
Changes in net assets	<u>292,844</u>	<u>(423,698)</u>	<u>(130,854)</u>
Net assets - beginning of the year	<u>2,619,185</u>	<u>736,591</u>	<u>3,355,776</u>
Net assets - end of the year	<u>\$ 2,912,029</u>	<u>\$ 312,893</u>	<u>\$ 3,224,922</u>

The accompanying notes are an integral part of this financial statement.

Children's Aid College Prep Charter School

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	Program Services			Supporting Services		Total Supporting Services	Total 2021
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising		
Salaries	\$ 6,439,748	\$ 590,187	\$ 7,029,935	\$ -	\$ -	\$ -	\$ 7,029,935
Fringe benefits and payroll taxes	1,313,377	97,516	1,410,893	-	-	-	1,410,893
Retirement	72,643	5,343	77,986	-	-	-	77,986
Management company fees - contracted services (Note 11)	897,247	253,070	1,150,317	862,344	-	862,344	2,012,661
Legal service	-	-	-	-	-	-	-
Accounting/audit services	-	-	-	19,396	-	19,396	19,396
Other purchased/professional/consulting services	152,097	4,250	156,347	-	-	-	156,347
Building and land rent/lease	2,000,000	-	2,000,000	-	-	-	2,000,000
Repairs and maintenance	157,851	33,788	191,639	-	-	-	191,639
Insurance	83,273	-	83,273	-	-	-	83,273
Utilities	148,424	1,678	150,102	-	-	-	150,102
Supplies/materials	379,728	14,991	394,719	-	-	-	394,719
Staff development	323,997	-	323,997	-	-	-	323,997
Marketing/recruitment	31,889	-	31,889	-	-	-	31,889
Technology	98,037	18,075	116,112	-	-	-	116,112
Food service	20,639	-	20,639	-	-	-	20,639
Student services	-	-	-	-	-	-	-
Office expense	41,493	-	41,493	-	-	-	41,493
Depreciation and amortization	71,144	28,487	99,631	-	-	-	99,631
Other	158,302	37,816	196,118	3,266	290	3,556	199,674
In-kind donations	291,600	68,400	360,000	-	-	-	360,000
Total expenses	\$ 12,681,489	\$ 1,153,601	\$ 13,835,090	\$ 885,006	\$ 290	\$ 885,296	\$ 14,720,386

The accompanying notes are an integral part of this financial statement.

Children's Aid College Prep Charter School

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program Services			Supporting Services		Total Supporting Services	Total 2020
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising		
Salaries	\$ 6,500,599	\$ 495,099	\$ 6,995,698	\$ -	\$ 16,874	\$ 16,874	\$ 7,012,572
Fringe benefits and payroll taxes	1,204,975	76,056	1,281,031	-	3,043	3,043	1,284,074
Retirement	81,849	7,257	89,106	-	218	218	89,324
Management company fees - contracted services (Note 11)	761,254	167,104	928,358	861,062	-	861,062	1,789,420
Legal service	26,346	-	26,346	113,423	-	113,423	139,769
Accounting/audit services	5,385	-	5,385	14,657	-	14,657	20,042
Other purchased/professional/consulting services	236,451	17,808	254,259	491	-	491	254,750
Building and land rent/lease	600,000	-	600,000	-	-	-	600,000
Repairs and maintenance	456,245	-	456,245	-	-	-	456,245
Insurance	112,747	-	112,747	-	-	-	112,747
Utilities	192,801	-	192,801	-	-	-	192,801
Supplies/materials	308,628	73,955	382,583	3,733	-	3,733	386,316
Staff development	165,889	50,508	216,397	-	-	-	216,397
Marketing/recruitment	23,110	-	23,110	100	-	100	23,210
Technology	171,788	-	171,788	27	-	27	171,815
Food service	10,416	-	10,416	176	-	176	10,592
Student services	17,390	-	17,390	4,361	960	5,321	22,711
Office expense	18,550	17,400	35,950	398	-	398	36,348
Depreciation and amortization	77,690	25,475	103,165	-	-	-	103,165
Other	35,033	-	35,033	87,511	215	87,726	122,759
In-kind donations	1,140,046	250,254	1,390,300	-	-	-	1,390,300
Total expenses	\$ 12,147,192	\$ 1,180,916	\$ 13,328,108	\$ 1,085,939	\$ 21,310	\$ 1,107,249	\$ 14,435,357

The accompanying notes are an integral part of this financial statement.

Children's Aid College Prep Charter School

STATEMENTS OF CASH FLOWS

For the years ended June 30,

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 111,514	\$ (130,854)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	99,631	103,165
Changes in operating assets and liabilities:		
(Increase) decrease in net assets		
Government grants receivable	(1,263)	(492,626)
Prepaid expenses and other current assets	(98,846)	(10,276)
Accounts payable and accrued expenses	226,214	113,576
Accrued payroll and benefits	(273,815)	459,150
Due to affiliated entities	(689,529)	412,683
	<u>(626,094)</u>	<u>454,818</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	-	(13,580)
	<u>-</u>	<u>(13,580)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Receipts from borrowing	-	1,400,000
	<u>-</u>	<u>1,400,000</u>
Net cash provided by financing activities		
	<u>(626,094)</u>	<u>1,841,238</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>6,677,963</u>	<u>4,836,725</u>
Cash and cash equivalents, beginning of year		
	<u>\$ 6,051,869</u>	<u>\$ 6,677,963</u>
Cash and cash equivalents, end of year		
	<u>\$ 6,051,869</u>	<u>\$ 6,677,963</u>

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

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

Children's Aid College Prep Charter School (the "Charter School") is an educational corporation formed to operate a charter school located in the City of New York, County of the Bronx. On September 13, 2011, the Board of Regents of the University of the State of New York, for and on behalf of the State Education Department, granted a provisional charter ("Charter Agreement"), incorporating the Charter School. This agreement was renewed on May 24, 2017 and is valid until July 31, 2022.

The Charter School's mission is to ensure that children achieve academic success by providing them with the best instructional practices, advancing their physical, emotional, and social needs, fostering a sense of pride and hope, and serving as a safe and engaging community hub. The Charter School serves over 630 scholars, including students enrolled in kindergarten through eighth grade and prioritizes students who are English language learners, at risk of academic failure and/or currently involved in the child welfare system. The Charter School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the "Code") and is classified as an organization described in Section 501(c)(3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis and conform to accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to not-for-profit organizations. In the statements of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

Financial Statement Presentation

The classification of the Charter School's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets (with donor restrictions and without donor restrictions) be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions, if any. Accordingly, net assets are classified and reported as follows:

Without Donor Restrictions - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations and/or the net assets which the Board of Trustees has to use in carrying on the operations of the Charter School.

With Donor Restrictions - Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations.

Cash and Cash Equivalents

Cash equivalents include all highly liquid instruments purchased with original maturities of 90 days or less.

Contributions/Pledges Receivable

Contributions and bequests received are recorded at fair value as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor-imposed restrictions, and are recognized in the period received.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give are not included as support until such time as the conditions on which they depend are substantially met.

Government Support

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the Charter Agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

Allowance for Uncollectible Receivables

An allowance is recorded based on prior years’ collection experience and management’s analysis and evaluation of specific promises received. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. The Charter School determined that no allowance for doubtful accounts was necessary as of June 30, 2021 and 2020. This estimate is based on management’s assessment of the aged basis of its government funding sources, current economic conditions and creditworthiness of its donors and grantors.

Property and Equipment

The Charter School capitalizes expenditures for buildings and building improvements, furniture and equipment having a cost of \$5,000 or more and with useful lives greater than one year. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets.

Amortization of leasehold improvements is charged at the lesser of the life of the improvements or the term of the lease to which the betterments pertain.

The range of estimated useful lives follows:

Furniture and equipment	5 - 10 years
Leasehold improvements	Lesser of life of lease or economic life

Impairment of Long-Lived Assets to be Disposed of

Accounting Standards Codification (“ASC”) 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*, provides a single accounting model for long-lived assets to be disposed of. ASC 360-10 also changes the criteria for classifying an asset as held for sale, and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

In accordance with ASC 360-10, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statements of financial position. There were no impairment charges for the years ended June 30, 2021 and 2020.

Revenue Recognition

The Charter School recognizes revenue from contributions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. In accordance with ASU 2018-08, the Charter School evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer is determined to be an exchange transaction, the Charter School applies guidance under FASB, ASC 606. If the transfer of assets is determined to be a contribution, the Charter School evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Charter School is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

The Charter School reports gifts of cash and other assets 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 time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to net assets without donor restrictions. Unconditional promises to give with payments due in future years are presumed to be time restricted by the donor until received and are reported as part of net assets with donor restrictions.

The Charter School recognizes gifts of land, buildings and equipment at fair value on the date of gift. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long such long-lived assets must be maintained, the Charter School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Charter School also receives grants from foundations in exchange for the performance of various services. The Charter School recognizes grants as revenue with donor restrictions when they are committed and releases such amounts into net assets without donor restrictions as related grant expenses are incurred to a maximum of the grant award.

The Charter School recognizes revenue from donor list rentals, conference fees and rental income, when earned.

Children's Aid College Prep Charter School
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021 and 2020

Measure of Operations

The Charter School includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, except for contributions.

Donated Services

The fair value of voluntary-donated services are reported in the financial statements if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not otherwise provided by donation.

Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on time and effort.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues, expenses and disclosures in the financial statements. Actual results could differ from those estimates.

Income Taxes

The Charter School follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more-likely-than-not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Charter School is exempt from federal income tax under the Code section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Charter School has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The Charter School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements for the year ended June 30, 2021.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

New Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use (“ROU”) asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the ROU asset. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2016-02. The guidance is effective for the Charter School for fiscal year 2023. Early adoption is permitted. The Charter School is in the process of evaluating the impact this standard will have on its financial statements.

NOTE 3 - LIQUIDITY AND AVAILABLE RESOURCES

The Charter School regularly monitors liquidity to meet its operating needs and other contractual commitments. The Charter School has various sources of liquidity at its disposal, including cash and cash equivalents, and receivables.

The following table presents the total financial assets held by the Charter School as of June 30, 2021 and 2020 that could be readily made available within one year of the statement of financial position date to meet general expenditures:

	2021	2020
Cash and cash equivalents	\$ 6,051,869	\$ 6,677,963
Government grants receivables	561,578	560,315
Total financial assets	6,613,447	7,238,278
Receivables scheduled to be collected in more than one year contractual or donor-imposed restrictions:		
Other donor restrictions	(133,738)	(312,893)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,479,710	\$ 6,925,385

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Children's Aid College Prep Charter School
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021 and 2020

NOTE 4 - GOVERNMENT GRANTS RECEIVABLE

Government grants receivables consist of the following as of June 30, 2021 and 2020:

	2021	2020
Due from the City of New York	\$ -	\$ 21,026
Due from the State of New York	248,168	23,103
Due from Federal sources	313,410	516,186
	\$ 561,578	\$ 560,315

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 812,164	\$ 812,164
Leasehold improvements	57,569	57,569
	869,733	869,733
Less: accumulated depreciation and amortization	(614,957)	(515,326)
	\$ 254,776	\$ 354,407

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 amounted to \$99,631 and \$103,165, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

The Charter School's net assets with donor restrictions as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Life coaching	\$ 117,000	\$ 283,000
Middle school expansion	16,738	29,893
	\$ 133,738	\$ 312,893

Net assets with donor restrictions released as of June 30, 2021 and 2020, were \$181,000 and \$232,000 for the Life Coaching program, respectively. Net assets with donor restrictions released as of June 30, 2021 and 2020 were \$13,155 and \$207,000 for the Middle School Expansion program, respectively. Net assets with donor restrictions released as of June 30, 2021 and 2020 were \$12,250 and \$0, respectively, for the Summer tutoring program.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 7 - RETIREMENT PLAN

Effective August 1, 2014, the Charter School sponsors a defined contribution retirement plan covering eligible employees. Pursuant to the plan, all employees can contribute up to the maximum allowed by law, and for eligible employees, the Charter School may make matching contributions equal to a discretionary percentage, to be determined by the Charter School. Eligible employees are all employees who have attained the age of at least 21 years of age, continuously employed for at least one full year and working a schedule of at least 1,000 hours per year. Employees become fully vested in the Charter School’s contributions to the plan on their behalf upon three years of service. Total retirement plan expense for the years ended June 30, 2021 and 2020 amounted to \$77,986 and \$89,324, respectively.

NOTE 8 - SCHOOL FACILITY

In fiscal year 2020, the Charter School operated in two Bronx locations: 1232 Southern Boulevard LLC (“1232 LLC”) and a site provided by the City of New York Department of Education (“DOE”) at 1919 Prospect Avenue. Beginning October 15, 2017, the Charter School leased approximately 35,000 square feet from 1232 Southern Boulevard LLC, which is a consolidating entity of Children’s Aid. The building was put into service on October 9, 2017 and rental payments from the Charter School to Children’s Aid commenced on October 15, 2017. The facilities and services provided by 1232 Southern Boulevard LLC to the Charter School are outlined in a Facility Use Agreement. The Charter School recognized the difference between the rental payments made and the market-rate rent, totaling \$0 and \$1,030,300, recognizing it as a component of contributed services revenue and allocated the related contributed services expense amongst the functional expense categories benefitted in its 2021 and 2020 statements of activities and functional expenses, respectively.

As part of the New York City Chancellor’s Charter School Initiative, the DOE committed space to the Charter School at no charge. The facilities and services provided by the DOE to the Charter School are outlined in a Shared Facility Use Agreement. During fiscal years 2021 and 2020, the Charter School quantified and recognized the fair value of the contributed space it receives for its instructional purposes, totaling \$360,000 and \$360,000, respectively, and recognized it as a component of contributed services revenue and allocated the related expense amongst the functional expense categories benefitted in its statements of activities and functional expenses.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Charter School is obligated under several operating leases for rentals of equipment that expire at various dates through 2025. The minimum annual rental payments under noncancelable operating leases are as follows:

<u>Years ending June 30,</u>	
2022	\$ 22,571
2023	22,571
2024	22,571
2025	6,035
	<hr/>
	\$ 73,748

Office space expenses under one-year operating leases for the years ended June 30, 2021 and 2020 totaled approximately \$2,000,000 and \$600,000, respectively.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowances of certain costs previously submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements.

NOTE 10 - CONCENTRATIONS

The Charter School receives a majority of its revenues from the New York State Education Department through the State University of New York Office of Charter Schools. The DOE provides general operating support to the Charter School based upon the location and the number of students enrolled. For the years ended June 30, 2021 and 2020, such operating support provided to the Charter School by the DOE totaled \$11,857,612 and \$12,039,303, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

Cash accounts that potentially subject the Charter School to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2021 and 2020, there was approximately \$5,802,000 and \$6,428,000, respectively, of cash and cash equivalents held by a bank that exceeded FDIC limits.

NOTE 11 - AFFILIATED-PARTY TRANSACTIONS

The Charter School and Children's Aid, a not-for-profit organization, are affiliated through certain Board of Directors commonality. Children's Aid provides administrative support services and other enrichment programs and services to the students of the Charter School ("wrap-around services") under an agreement between the two entities. The Charter School pays an administrative fee equal to 7.5% of total operating expenses, excluding rent and depreciation, to Children's Aid for the administrative services, which amounted to \$862,344 and \$861,062 for the years ended June 30, 2021 and 2020, respectively. In addition, the Charter School was charged a fee for wrap-around and other services totaling \$1,150,317 and \$928,358 for the years ended June 30, 2021 and 2020, respectively.

Children's Aid routinely receives contributions from private donors that are earmarked for the Charter School. These contributions are recorded as contribution revenue passed through by Children's Aid to the Charter School. The Charter School received \$166,136 and \$91,187 of contributions passed through from Children's Aid for the years ended June 30, 2021 and 2020, respectively. The Charter School has a payable to Children's Aid in the amount of \$356,172 and \$718,120 as of June 30, 2021 and 2020, respectively.

The Charter School and 1232 LLC, a limited liability company, are affiliated through Children's Aid, the sole member of 1232 LLC. The Charter School has a payable to 1232 LLC in the amount of \$26,369 and \$353,950 as of June 30, 2021 and 2020, respectively.

NOTE 12 - DEBT

On April 13, 2020, the Charter School received loan proceeds in the amount of \$1,400,000 through JPMorgan Chase bank under the U.S. Small Business Administration's Paycheck Protection Plan ("PPP"). The PPP, established, as part of the Coronavirus Aid, Relief and Economic Securities Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 0.98%, with a deferral of payment for the first six months. The Charter School received notice from the Small Business Association that the Loan was forgiven on August 10, 2021.

NOTE 13 - CONTINGENCIES

The Charter School, in the normal course of its operations, could be a party to various legal proceedings and complaints, some of which would be covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Charter School is not aware of any claims or contingencies which, if asserted, would not be covered by insurance and would have a material adverse effect on the Charter School's financial position, changes in net assets or cash flows.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Charter School's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its long-term impact on the Charter School's donors, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Charter School's financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NOTE 14 - SUBSEQUENT EVENTS

Management has performed subsequent events procedures through October 28, 2021, which is the date the financial statements were available to be issued. The Charter School received notice from the Small Business Association that the Paycheck Protection Plan Loan was forgiven, and therefore the Charter School will recognize the forgiveness as income during the year ended June 30, 2022.

GRANT THORNTON LLP

757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100

F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Children's Aid College Prep Charter School

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 Children's Aid College Prep Charter School (the "Charter School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2021.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School'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 the Charter School's 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 the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

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 Charter School'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 Charter School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

New York, New York
October 28, 2021