

Financial Statements and Report of
Independent Certified Public
Accountants

Children's Aid College Prep Charter School

June 30, 2020 and 2019

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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, 2020 and 2019, 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 and the standards applicable to financial audits contained in *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 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 the Charter School as of June 30, 2020 and 2019, 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 30, 2020, 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 30, 2020

Children's Aid College Prep Charter School

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes 2 and 11)	\$ 6,677,963	\$ 4,836,725
Government grants receivable (Notes 2 and 4)	560,315	67,689
Prepaid expenses and other assets	12,893	2,617
Total current assets	7,251,171	4,907,031
PROPERTY AND EQUIPMENT, net (Notes 2 and 6)	354,407	443,992
Total assets	\$ 7,605,578	\$ 5,351,023
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 264,266	\$ 150,690
Accrued payroll and benefits	1,644,320	1,185,170
CARES Act Paycheck Protection Plan loan payable (Note 12)	1,400,000	-
Due to affiliated entities (Note 13)	1,072,070	659,387
Total current liabilities	4,380,656	1,995,247
Commitments and contingencies (Note 10)		
NET ASSETS		
Without donor restrictions	2,912,029	2,619,185
With donor restrictions	312,893	736,591
Total net assets	3,224,922	3,355,776
Total liabilities and net assets	\$ 7,605,578	\$ 5,351,023

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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Public school district (Notes 2 and 11)			
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
Total operating revenue and support	<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
Total program expenses	<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
Total supporting expenses	<u>1,107,249</u>	<u>-</u>	<u>1,107,249</u>
Total operating expenses	<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 13)	52,315	-	52,315
Contributions passed-through Children's Aid Society (Notes 2 and 13)	76,187	15,000	91,187
Total other revenue	<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 ACTIVITIES

For the year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Public school district (Notes 2 and 11)			
Resident student enrollment	\$ 9,098,435	\$ -	\$ 9,098,435
Students with disabilities	1,708,150	-	1,708,150
Grants and contracts (Note 2)			
State and local	178,311	-	178,311
Federal - Title 1 and IDEA	438,811	-	438,811
Support			
Contributed space	1,390,300	-	1,390,300
Net assets released from restrictions	113,461	(113,461)	-
Other	60,365	-	60,365
Total operating revenue and support	<u>12,987,833</u>	<u>(113,461)</u>	<u>12,874,372</u>
Operating expenses			
Program services			
Regular education	10,946,980	-	10,946,980
Special education	952,116	-	952,116
Total program expenses	<u>11,899,096</u>	<u>-</u>	<u>11,899,096</u>
Supporting services			
Management and general	750,578	-	750,578
Fundraising	17,352	-	17,352
Total supporting expenses	<u>767,930</u>	<u>-</u>	<u>767,930</u>
Total operating expenses	<u>12,667,026</u>	<u>-</u>	<u>12,667,026</u>
Surplus (deficit) from school programs	<u>320,807</u>	<u>(113,461)</u>	<u>207,346</u>
Other revenue			
Contributions (Notes 2 and 13)	223,189	-	223,189
Contributions passed-through Children's Aid Society (Notes 2 and 13)	100,000	400,000	500,000
Total other revenue	<u>323,189</u>	<u>400,000</u>	<u>723,189</u>
Changes in net assets	<u>643,996</u>	<u>286,539</u>	<u>930,535</u>
Net assets - beginning of the year	<u>1,975,189</u>	<u>450,052</u>	<u>2,425,241</u>
Net assets - end of the year	<u>\$ 2,619,185</u>	<u>\$ 736,591</u>	<u>\$ 3,355,776</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, 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	\$ -		
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 12)	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	<u>\$ 12,147,192</u>	<u>\$ 1,180,916</u>	<u>\$ 13,328,108</u>	<u>\$ 1,085,939</u>	<u>\$ 21,310</u>	<u>\$ 1,107,249</u>	<u>\$ 14,435,357</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, 2019

	Program Services			Supporting Services			Total 2019
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 5,453,303	\$ 373,573	\$ 5,826,876	\$ -	\$ 14,107	\$ 14,107	\$ 5,840,983
Fringe benefits and payroll taxes	1,063,491	67,849	1,131,340	-	2,713	2,713	1,134,053
Retirement	70,631	5,389	76,020	-	182	182	76,202
Management company fees - contracted services (Note 13)	724,707	159,082	883,789	733,958	-	733,958	1,617,747
Legal service	59,239	-	59,239	-	-	-	59,239
Accounting/audit services	10,260	-	10,260	14,350	-	14,350	24,610
Other purchased/professional/consulting services	178,961	12,261	191,222	-	-	-	191,222
Building and land rent/lease	600,000	-	600,000	-	-	-	600,000
Repairs and maintenance	480,063	164	480,227	-	-	-	480,227
Insurance	108,245	-	108,245	-	-	-	108,245
Utilities	324,791	-	324,791	117	-	117	324,908
Supplies/materials	377,071	29,963	407,034	898	-	898	407,932
Staff development	161,594	29,660	191,254	12	-	12	191,266
Marketing/recruitment	14,055	-	14,055	105	-	105	14,160
Technology	60,503	-	60,503	36	-	36	60,539
Food service	6,748	-	6,748	156	-	156	6,904
Student services	18,667	-	18,667	432	-	432	19,099
Office expense	6,614	2,252	8,866	399	-	399	9,265
Depreciation and amortization	68,053	21,642	89,695	-	-	-	89,695
Other	19,938	27	19,965	115	350	465	20,430
In-kind donations	1,140,046	250,254	1,390,300	-	-	-	1,390,300
Total expenses	<u>\$ 10,946,980</u>	<u>\$ 952,116</u>	<u>\$ 11,899,096</u>	<u>\$ 750,578</u>	<u>\$ 17,352</u>	<u>\$ 767,930</u>	<u>\$ 12,667,026</u>

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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ (130,854)	\$ 930,535
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	103,165	89,695
Changes in operating assets and liabilities:		
(Increase) decrease in net assets		
Government grants receivable	(492,626)	194,838
Pledges receivable	-	-
Prepaid expenses and other assets	(10,276)	177
Prepaid expenses and other current assets		
Accounts payable and accrued expenses	113,576	13,074
Accrued payroll and benefits	459,150	10,988
Due to related parties	412,683	(718,001)
	<u>454,818</u>	<u>521,306</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(13,580)	(286,741)
Net cash used in investing activities	<u>(13,580)</u>	<u>(286,741)</u>
Cash flows from financing activities:		
Receipts from borrowing	1,400,000	-
Net cash provided by financing activities	<u>1,400,000</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>1,841,238</u>	<u>234,565</u>
Cash and cash equivalents, beginning of year	<u>4,836,725</u>	<u>4,602,160</u>
Cash and cash equivalents, end of year	<u>\$ 6,677,963</u>	<u>\$ 4,836,725</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, 2020 and 2019

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 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, 2020 and 2019

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, 2020 and 2019. 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, 2020 and 2019

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, 2020 and 2019.

Revenue Recognition

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.

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.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020.

New Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In June 2020, the FASB issued ASU No. 2020-05, *ASU 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 2014-09. The guidance is effective for annual periods beginning after December 15, 2019. The guidance permits the use of either a retrospective or cumulative effect transition method. The Charter School is currently evaluating this new guidance and has not determined the impact this standard may have on its financial statements nor decided upon the method of adoption.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 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 right-of-use asset. In June 2020, the FASB issued ASU No. 2020-05, *Accounting Standards Update 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, 2020 and 2019 that could be readily made available within one year of the statement of financial position date to meet general expenditures:

	2020	2019
Cash and cash equivalents	\$ 6,677,963	\$ 4,836,725
Government grants receivables	560,315	67,689
	7,238,278	4,904,414
Receivables scheduled to be collected in more than one year contractual or donor-imposed restrictions:		
Other donor restrictions	(312,893)	(736,591)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,925,385	\$ 4,167,823

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, 2020 and 2019

NOTE 4 - GOVERNMENT GRANTS RECEIVABLE

Government grants receivables consist of the following as of June 30, 2020 and 2019:

	2020	2019
Due from the City of New York	\$ 21,026	\$ 42,070
Due from the State of New York	23,103	17,532
Due from Federal sources	516,186	8,087
	\$ 560,315	\$ 67,689

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30, 2020 and 2019:

	2020	2019
Furniture and equipment	\$ 812,164	\$ 798,585
Leasehold improvements	57,569	57,569
	869,733	856,154
Less: accumulated depreciation and amortization	(515,326)	(412,162)
	\$ 354,407	\$ 443,992

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 amounted to \$103,165 and \$89,695, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

The Charter School's net assets with donor restrictions as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Life coaching	\$ 283,000	\$ 500,000
Middle school expansion	29,893	236,591
	\$ 312,893	\$ 736,591

Net assets with donor restrictions released as of June 30, 2020 and 2019 were \$232,000 and \$50,000 for the Life Coaching program, respectively. Net assets with donor restrictions released as of June 30, 2020 and 2019 were \$207,000 and 63,000 for the Middle School Expansion program, respectively.

Children’s Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019 amounted to \$89,324 and \$76,202, 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 191 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 payment and market-rate rent, totaling \$1,030,300 and \$1,030,300, and recognized it as a component of contributed services revenue and allocated the related contributed services expense amongst the functional expense categories benefitted in its 2020 and 2019 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 2020 and 2019, 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 office space and equipment that expire at various dates through 2025. The minimum annual rental payments under noncancellable operating leases are as follows:

<u>Year ending June 30,</u>	
2021	\$ 23,134
2022	22,571
2023	22,571
2024	22,571
2025	6,035
	<hr/>
	\$ 96,882

Office space expenses under the operating leases described above for the years ended June 30, 2020 and 2019 totaled approximately \$600,000 and \$600,000, respectively.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019, such operating support provided to the Charter School by the DOE totaled \$12,039,303 and \$10,806,585, 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, 2020 and 2019, there was approximately \$6,428,000 and \$4,586,000, respectively, of cash and cash equivalents held by a bank that exceeded FDIC limits.

NOTE 11 - RELATED-PARTY TRANSACTIONS

The Charter School and Children's Aid, a not-for-profit organization, are related through certain Board 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 \$861,062 and \$733,958 for the years ended June 30, 2020 and 2019, respectively. In addition, the Charter School was charged a fee for wrap-around and other services totaling \$928,358 and \$883,789 for the years ended June 30, 2020 and 2019, 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 \$91,187 and \$646,950 of contributions passed through from Children's Aid for the years ended June 30, 2020 and 2019, respectively. The Charter School has a payable to Children's Aid in the amount of \$718,120 and \$432,059 as of June 30, 2020 and 2019, respectively.

The Charter School and 1232 LLC, a limited liability company, are related through affiliation with Children's Aid, the sole member of 1232 LLC. The Charter School has a payable to 1232 LLC in the amount of \$353,949 and \$227,328 as of June 30, 2020 and 2019, 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.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of .98%, with a deferral of payment for the first six months.

Children's Aid College Prep Charter School

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 30, 2020, which is the date the financial statements were available to be issued and there were no subsequent events or disclosures requiring adjustment to the financial statements.

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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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2020.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered Charter School's internal control over financial reporting ("internal control") to design 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 determination of financial statement amounts. 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.



New York, New York
October 30, 2020