Financial Statements and Report of Independent Certified Public Accountants

Children's Aid College Prep Charter School

June 30, 2020 and 2019

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

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	204,166
Due to affiliated entities (Note 13)		
Total current liabilities		
Commitments and contingencies (Note 10)		
NET ASSETS		
Without donor restrictions		
With donor restrictions		
Total net assets		
Total liabilities and net assets		

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	14,599,699	(438,698)	14,161,001
Operating expenses			
Program services			
Regular education	12,147,192	-	12,147,192
Special education	1,180,916	-	1,180,916
Total program expenses	13,328,108	-	13,328,108
Supporting services			
Management and general	1,085,939	-	1,085,939
Fundraising	21,310	-	21,310
Total supporting expenses	1,107,249	-	1,107,249
Total operating expenses	14,435,357	-	14,435,357
Surplus (deficit) from school programs	164,342	(438,698)	(274,356)
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	128,502	15,000	143,502
Changes in net assets	292,844	(423,698)	(130,854)
Net assets - beginning of the year	2,619,185	736,591	3,355,776
Net assets - end of the year	$ 2,912,029	$ 312,893	$ 3,224,922

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	Without Donor Restrictions	With Donor Restrictions	Total
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

	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2020
Salaries	$ 6,500,599	$ 495,099	$ 6,995,698	$ -	$ 16,874	$ 16,874	$ 7,012,572
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	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019
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

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)
Net cash provided by operating activities	454,818	521,306
Cash flows from investing activities:		
Purchases of property and equipment	(13,580)	(286,741)
Net cash used in investing activities	(13,580)	(286,741)
Cash flows from financing activities:		
Receipts from borrowing	1,400,000	-
Net cash provided by financing activities	1,400,000	-
Net increase in cash and cash equivalents	1,841,238	234,565
Cash and cash equivalents, beginning of year	4,836,725	4,602,160
Cash and cash equivalents, end of year	$ 6,677,963	$ 4,836,725

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

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 ACCOUNTI NG 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.

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.

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.

Functional A llocation 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. 202022020e1j 6.9 (1)1 0 T1220

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
Total financial assets	7,238,278	4,904,414
Receivables scheduled to be collected in more than one year		

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

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 act s-6.4 (kc)-8 (a)]TJ 0.00ee

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,

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Head of School, Children's Aid College

Craig Meyer

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