

Coney Island Preparatory Public Charter School

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2023 and 2022

Coney Island Preparatory Public Charter School

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TABLE OF CONTENTS	Page
Independent Auditors' Report	
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
UNIFORM GUIDANCE SCHEDULES AND REPORTS	
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	
Schedule of Findings and Questioned Costs	26

Independent Auditors' Report

Board of Trustees
Coney Island Preparatory Public Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Coney Island Preparatory Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coney Island Preparatory Public Charter School as of June 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Coney Island Preparatory Public Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, Coney Island Preparatory Public Charter School adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of a right of use asset and related lease liability effective July 1, 2022. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Coney Island Preparatory Public Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Coney Island Preparatory Public Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Coney Island Preparatory Public Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023, on our consideration of Coney Island Preparatory Public 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 Coney Island Preparatory Public 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 Coney Island Preparatory Public Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 11, 2023

Coney Island Preparatory Public Charter School

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS		
Current Assets		
Cash	\$ 3,138,926	\$ 10,534,734
Certificates of deposit	5,151,166	-
Grants and contracts receivable	4,285,049	2,304,816
Due from related party	940,036	626
Prepaid expenses and other current assets	187,314	200,299
Total Current Assets	13,702,491	13,040,475
Property and equipment, net	3,167,372	3,625,279
Right of use assets - operating lease, net	22,605,570	-
Restricted cash	75,141	75,242
Security deposits	147,729	147,729
	\$ 39,698,303	\$ 16,888,725
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 863,630	\$ 1,203,118
Accrued payroll and payroll taxes	1,057,143	834,844
Operating lease liability	2,016,956	-
Refundable advance	52,419	76,267
Total Current Liabilities	3,990,148	2,114,229
Operating lease liability, less current portion	21,049,704	-
Deferred rent	-	197,276
Total Liabilities	25,039,852	2,311,505
Net assets, without donor restrictions	14,658,451	14,577,220
	\$ 39,698,303	\$ 16,888,725

See notes to financial statements

Coney Island Preparatory Public Charter School

Statements of Activities

	Year Ended June 30,	
	2023	2022
OPERATING REVENUE		
State and Local Per Pupil Operating Revenue		
General education	\$ 21,625,339	\$ 19,089,844
Special education	3,620,246	3,057,203
Facilities	2,697,138	1,734,305
Federal grants	3,189,151	2,622,131
Federal E-rate and IDEA	593,685	362,458
State grants	90,170	86,815
Total Operating Revenue	31,815,729	26,952,756
EXPENSES		
Program Services		
Regular education	22,943,885	19,704,779
Special education	5,471,572	4,565,216
Total Program Services	28,415,457	24,269,995
Supporting Services		
Management and general	4,344,343	3,647,627
Fundraising	24,441	21,142
Total Expenses	32,784,241	27,938,764
(Deficit) from Operations	(968,512)	(986,008)
SUPPORT AND OTHER REVENUE		
Gain on forgiveness of Paycheck		
Protection Program loan	-	2,555,000
Grants and contributions	596,901	389,642
Donated services	199,625	146,625
Interest income	253,217	85,820
Total Support and Other Revenue	1,049,743	3,177,087
Change in Net Assets	81,231	2,191,079
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	14,577,220	12,386,141
End of year	\$ 14,658,451	\$ 14,577,220

See notes to financial statements

Coney Island Preparatory Public Charter School

Statement of Functional Expenses
Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	68	\$ 2,231,016	\$ 803,227	\$ 3,034,243	\$2,764,053	\$ 17,556	\$ 5,815,852
Instructional personnel	163	10,922,173	2,333,496	13,255,669	-	-	13,255,669
Total Personnel Services Costs	<u>231</u>	<u>13,153,189</u>	<u>3,136,723</u>	<u>16,289,912</u>	<u>2,764,053</u>	<u>17,556</u>	<u>19,071,521</u>
Fringe benefits and payroll taxes		2,750,769	655,993	3,406,762	530,930	3,372	3,941,064
Retirement		315,554	75,252	390,806	66,312	421	457,539
Legal service		172,309	41,092	213,401	36,210	230	249,841
Accounting / audit services		57,561	13,727	71,288	12,096	77	83,461
Other purchased services		468,474	111,720	580,194	61,150	388	641,732
Building / facility costs		1,871,372	446,278	2,317,650	393,256	69	2,710,975
Repairs and maintenance		298,959	71,295	370,254	62,824	-	433,078
Insurance		179,396	42,782	222,178	37,699	239	260,116
Utilities		7,773	1,854	9,627	1,633	-	11,260
Supplies / materials		409,747	97,715	507,462	2,069	13	509,544
Equipment / furnishings		50,341	12,005	62,346	-	-	62,346
Staff development		405,058	96,597	501,655	37,269	190	539,114
Marketing / recruitment		123,626	29,482	153,108	25,979	-	179,087
Technology		378,018	90,148	468,166	79,438	428	548,032
Food service		353,294	84,252	437,546	-	-	437,546
Student services		855,787	204,085	1,059,872	3,812	-	1,063,684
Office expense		101,043	24,096	125,139	21,233	135	146,507
Depreciation and amortization		990,769	236,275	1,227,044	208,203	1,322	1,436,569
Other		846	201	1,047	177	1	1,225
Total Expenses		<u>\$ 22,943,885</u>	<u>\$ 5,471,572</u>	<u>\$ 28,415,457</u>	<u>\$ 4,344,343</u>	<u>\$ 24,441</u>	<u>\$ 32,784,241</u>

See notes to financial statements

Coney Island Preparatory Public Charter School

Statement of Functional Expenses
Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	69	\$ 2,025,414	\$ 343,319	\$ 2,368,733	\$ 2,222,805	\$ 12,883	\$ 4,604,421
Instructional personnel	129	8,616,150	2,122,125	10,738,275	-	-	10,738,275
Total Personnel Services Costs	<u>198</u>	<u>10,641,564</u>	<u>2,465,444</u>	<u>13,107,008</u>	<u>2,222,805</u>	<u>12,883</u>	<u>15,342,696</u>
Fringe benefits and payroll taxes		2,579,582	597,639	3,177,221	481,557	2,791	3,661,569
Retirement		299,015	69,276	368,291	62,458	362	431,111
Legal service		115,495	26,758	142,253	24,125	141	166,519
Accounting / audit services		52,438	12,149	64,587	10,953	63	75,603
Other purchased services		337,338	78,155	415,493	32,333	187	448,013
Building / facility costs		1,695,563	392,829	2,088,392	354,169	2,053	2,444,614
Repairs and maintenance		53,811	12,467	66,278	11,240	65	77,583
Insurance		149,197	34,566	183,763	31,164	181	215,108
Utilities		8,701	2,016	10,717	1,817	11	12,545
Supplies / materials		567,887	131,568	699,455	16,725	97	716,277
Equipment / furnishings		42,551	9,858	52,409	-	-	52,409
Staff development		472,990	109,583	582,573	44,912	260	627,745
Marketing / recruitment		363,150	84,135	447,285	75,855	440	523,580
Technology		256,474	59,420	315,894	53,572	311	369,777
Food service		330,028	76,461	406,489	-	-	406,489
Student services		678,434	157,180	835,614	2,414	14	838,042
Office expense		95,536	22,134	117,670	19,956	115	137,741
Depreciation and amortization		954,390	221,114	1,175,504	199,352	1,155	1,376,011
Other		<u>10,635</u>	<u>2,464</u>	<u>13,099</u>	<u>2,220</u>	<u>13</u>	<u>15,332</u>
Total Expenses		<u>\$ 19,704,779</u>	<u>\$ 4,565,216</u>	<u>\$ 24,269,995</u>	<u>\$ 3,647,627</u>	<u>\$ 21,142</u>	<u>\$ 27,938,764</u>

See notes to financial statements

Coney Island Preparatory Public Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 81,231	\$ 2,191,079
Adjustments to reconcile change in net assets to net cash from operating activities		
Deferred rent	-	197,276
Depreciation and amortization	1,436,569	1,376,011
Amortization of right of use asset - operating lease	2,349,279	-
Gain on forgiveness of Paycheck Protection Program loan	-	(2,555,000)
Changes in operating assets and liabilities		
Grants and contracts receivable	(1,980,233)	(858,969)
Due from related party	(939,410)	(626)
Prepaid expenses and other current assets	12,985	(10,899)
Security deposits	-	(43,489)
Accounts payable and accrued expenses	(339,488)	106,147
Accrued payroll and payroll taxes	222,299	136,698
Operating lease liability	(2,085,465)	-
Refundable advances	(23,848)	76,267
Net Cash from Operating Activities	(1,266,081)	614,495
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(978,662)	(2,998,958)
Purchase of certificates of deposit	(5,000,000)	-
Accrued interest on certificates of deposit	(151,166)	-
Maturity of certificate of deposit	-	9,278,034
Net Cash from Investing Activities	(6,129,828)	6,279,076
 Net Change in Cash and Restricted Cash	(7,395,909)	6,893,571
 CASH AND RESTRICTED CASH		
Beginning of year	10,609,976	3,716,405
End of year	\$ 3,214,067	\$ 10,609,976
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for amounts included in the measurement of lease liabilities	\$ 2,371,507	\$ -

See notes to financial statements

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Tax Status

Coney Island Preparatory Public Charter School (the "School") is a New York State, not-for-profit educational corporation that operates as a charter school in the borough of Brooklyn, New York. On February 12, 2009, the Board of Regents of the University of the State of New York ("Board of Regents") for and on behalf of the State Education Department granted the School a provisional charter valid for a term of five years from the effective date of December 16, 2008 and renewable upon expiration by the Board of Regents. The Board of Regents approved and issued several renewals to the School's charter expiring June 30, 2028. The School's mission is that students will develop the academic skills and character necessary for success in selective colleges and universities, and the career of their choice. Students will learn through a rigorous academic program, with a strong focus on writing, in a supportive and structured school community. Classes commenced in Brooklyn, New York, in August 2009 and the School provided education to approximately 1,226 students in kindergarten through twelfth grade during the 2022-2023 academic year.

During 2017, the School applied to change its authorizer and transfer its charter from The New York City Department of Education to the Charter Schools Institute of the State University of New York ("SUNY"). On October 11, 2017, SUNY approved the transfer of the School's charter effective for the 2017-2018 School year.

The School retains an outside vendor to provide meals for students in which the School receives reimbursement from the New York State Education Department. The New York City Department of Education provides Metrocards to a majority of the School's students and such amounts are not included in these financial statements.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Adoption of New Accounting Policies

Leases (Topic 842)

In February 2016, the Financial Accounting Standard Board issued Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842), which requires schools that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement 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.

The School adopted the requirements of the new standard effective July 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. The School adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment.

Accordingly, the School will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. As a result of the adoption of the new lease accounting guidance on July 1, 2022, the School recognized a lease liability of \$25,152,124 that represents the present value of the operating lease payments of \$30,721,097, discounted with a risk-free interest rate using the treasury bond rate for 20 years of 3.88% and 3.35%, 10 years of 3.43% and 2.88%, 5 years of 2.88%, 4 years of 3.37%, 3 years of 3.55% and 2.85%, 2 years of 2.84% and 1 year of 2.79% and a right of use (“ROU”) asset of \$25,152,124. The standard did not materially impact operating results or liquidity.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School’s operations. Net assets without donor restrictions may be used at the discretion of the School’s management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, 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.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows at June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 3,138,926	\$ 10,534,734
Restricted cash	<u>75,141</u>	<u>75,242</u>
	<u>\$ 3,214,067</u>	<u>\$ 10,609,976</u>

Certificates of Deposit

At June 30, 2023, the School had \$5,151,166 invested in certificates of deposit held by a bank. The certificates of deposit are reported at cost plus accrued interest and have various terms of maturing through May 22, 2024.

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$2,500 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and equipment	3 to 5 years
Furniture and fixtures	7 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount of the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2023 and 2022.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Leases

The School accounts for leases under ASU No. 2016-02, Leases. The School determines if an arrangement is a lease at inception. Leases are included in ROU assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position.

Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. The School has made an accounting policy election to use a risk-free rate, determined using a period comparable with that of the lease term, to discount future lease payments. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the School's risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term within building and facility costs in the accompanying statements of functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease. When it is reasonably certain that the School will exercise that option, such amounts are included in the ROU assets and lease liabilities.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as revenue without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, require specialized skills, are performed by people with those skills, would otherwise be purchased by the School, and are measurable. The School recognized donated services revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses such as personnel services costs, fringe benefits and payroll taxes, other professional and consulting services and building and land rent have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred. Marketing and recruitment costs for the years ended June 30, 2023 and 2022 amounted to \$179,087 and \$523,580.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from gain on forgiveness of Paycheck Protection Program loan, non-governmental sources that include grants and contributions revenue, donated services, interest income and other activities considered to be of a more non-recurring nature.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2020.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 11, 2023.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, and city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance for doubtful accounts and has determined that such allowance is not necessary.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

4. Related Party Transactions (not disclosed elsewhere)

The School is related to Coney Island Prep Builders, Inc. (“Builders”), a New York State, not-for-profit corporation with common management and board of trustees. Builders supports the School through financial, fundraising, and development efforts.

For the years ended June 30, 2023 and 2022, the School charged Builders \$1,315,095 and \$860,960 for salaries and benefits for shared employees and restricted grants, and \$13,395 and \$34,902 for net operating expenses. Net balance due from Builders at June 30, 2023 and 2022 amounted to \$940,036 and \$626.

On July 13, 2020, the lease with The Roman Catholic Church of Saints Simon and Jude for the high school facility was transferred to Builders. On July 24, 2020, the School entered into a sub-lease agreement with Builders. The term commenced on August 1, 2020 and expired on July 31, 2023 with two 5-year renewal options. (see note 10). On May 10, 2023, the sub-lease agreement with Builders was renewed for 3 years and expires on July 31, 2026.

On June 21, 2021, the School entered into a sub-lease agreement with Builders. The term commenced on July 1, 2021 and was set to expire on June 30, 2026 with two 5-year renewal options. (see note 10). On May 10, 2023, the sub-lease agreement with Builders was amended and the new lease term commenced on July 1, 2023 and is set to expire on June 30, 2036.

On June 26, 2023, Builders entered into a new lease agreement with 773 Neptune Avenue QOZ LLC for a new high school facility. The facility will be used by the School. The School has plans to move into this facility beginning July 1, 2025.

5. Property and Equipment

Property and equipment, net consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Computers and equipment	\$ 3,230,108	\$ 2,962,623
Furniture and fixtures	1,602,629	1,341,392
Software	118,115	118,115
Leasehold improvements	<u>6,803,674</u>	<u>6,353,734</u>
	11,754,526	10,775,864
Accumulated depreciation and amortization	<u>(8,587,154)</u>	<u>(7,150,585)</u>
	<u>\$ 3,167,372</u>	<u>\$ 3,625,279</u>

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	2023	2022
Cash	\$ 3,138,926	\$ 10,534,734
Certificates of deposit	5,151,166	-
Grants and contracts receivable	4,285,049	2,304,816
Due from related party	940,036	626
	<u>\$ 13,515,177</u>	<u>\$ 12,840,176</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts, certificates of deposits, and other liquid instruments until it is required for operational use. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see Note 9).

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 5% of annual compensation. The amount charged for matching contributions to this plan amounted to \$443,034 and \$420,078 for the years ended June 30, 2023 and 2022.

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash, certificates of deposit, and restricted cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2023 and 2022, approximately \$2,954,000 and \$10,100,000 of cash and restricted cash was maintained with two institutions in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2023 and 2022, the School received approximately 86% and 80% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

10. Commitments

Elementary School Facility

The School began sharing space with a New York City public school in July 2014. The School is not responsible for rent, real estate taxes, utilities, custodial services, maintenance, and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

Middle School Facility

The School began sharing space with a New York City public school in July 2011. The School is not responsible for rent, real estate taxes, utilities, custodial services, maintenance, and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

High School Facility

On November 19, 2012, the School entered into a lease agreement with The Roman Catholic Church of Saints Simon and Jude for the rental of space of a building located in Brooklyn, New York. The lease term commenced on April 1, 2013 and was set to expire on July 31, 2023. On July 13, 2020, this lease was transferred to Builders, a related party.

On July 24, 2020, the School entered into a sub-lease agreement with Builders, a related party for the space located at 294 Avenue T Brooklyn, New York. The lease term commenced on August 1, 2020 and expired on July 31, 2023 with two 5-year renewal options. On May 10, 2023, the sub-lease agreement with Builders was renewed for 3 years and expires on July 31, 2026.

Central Office

On November 16, 2021, the School entered into a lease agreement with Neptune South Commercial, LLC for the rental of office space in Brooklyn, New York. The lease term commenced on May 1, 2022 and is set to expire on October 31, 2032. The School is responsible for utilities, insurance, custodial services, and maintenance.

Upper Elementary School Facility

On June 21, 2021, the School entered into a sub-lease agreement with Builders, a related party, for the space located at 133 27th Avenue, Brooklyn, New York. The lease term commenced on July 1, 2021 and will expire on June 30, 2026 with two 5-year renewal options. This location is the site of the Upper Elementary school. On May 10, 2023, the sub-lease agreement with Builders was amended and the lease term commenced on July 1, 2023 and is set to expire on June 30, 2036.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

10. Commitments (*continued*)

Right of use assets consist of the following at June 30, 2023:

Right of use assets - operating lease	\$ 24,954,849
Less: accumulated amortization	<u>(2,349,279)</u>
	<u>\$ 22,605,570</u>

Weighted average remaining lease term	10.92 years
Weighted average discount rate	3.52%

The future minimum lease payments under the facility leases is as follows for the years ending June 30:

2024	\$ 2,788,930
2025	2,949,660
2026	3,092,254
2027	1,740,909
2028	1,689,127
Thereafter	<u>16,088,711</u>
Total minimum lease payments	28,349,591
Present value discount	<u>(5,282,931)</u>
Present value of lease liabilities	23,066,660
Current portion	<u>(2,016,956)</u>
Lease liabilities, less current portion	<u>\$ 21,049,704</u>

Rent expense under the facility leases for the years ended June 30, 2023 and 2022 was \$2,710,975 and \$2,444,614.

Operating lease cost	\$ 2,349,279
Short-term lease cost	<u>2,710,975</u>
	<u>\$ 5,060,254</u>

11. Paycheck Protection Program Loan Payable

On April 29, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$2,555,000 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for full forgiveness of the PPP Loan with respect to these covered costs.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2023 and 2022

11. Paycheck Protection Program Loan Payable (*continued*)

On January 4, 2022, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$2,555,000 is included on the accompanying 2022 statement of activities under gain on forgiveness of Paycheck Protection Program loan.

12. Donated Services

Legal services were provided to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and were recorded at their fair value of \$199,625 and \$146,625 for the years ended June 30, 2023 and 2022. Fair value is estimated using a standard hourly rate of similar services available for purchase by the School. Donated services are included in program, management and general, and fundraising services in the accompanying statements of activities and functional expenses. There were no donor-imposed restrictions associated with the donated services.

13. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

* * * * *

Coney Island Preparatory Public Charter School

Uniform Guidance
Schedules and Reports

June 30, 2023

Coney Island Preparatory Public Charter School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass-Through New York State Education Department:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	Not available	\$ -	\$ 80,254
National School Lunch Program	10.555	Not available	-	366,038
COVID-19 - Supply Chain Assistance Funds	10.555	Not available	-	41,506
Total Child Nutrition Cluster			-	487,798
Total U.S. Department of Agriculture			-	487,798
<u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021224595	-	10,958
Title I Grants to Local Educational Agencies	84.010	0021234595	-	554,596
English Language Acquisition State Grants	84.365	0293234595	-	14,659
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147234595	-	64,931
Student Support and Academic Enrichment Program	84.424	0204234595	-	35,814
COVID-19 Charter Schools	84.282	Not available	-	49,950
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II	84.425W	5218214595	-	5,179
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880214595	-	1,823,178
Total U.S. Department of Education			-	2,559,265
<u>Federal Communications Commission</u>				
Pass-Through Universal Service Administrative Company:				
COVID-19 Emergency Connectivity Fund Program	32.009	not available	-	142,088
Total Expenditures of Federal Awards			\$ -	\$ 3,189,151

See independent auditors' report and notes to schedule of expenditures of federal awards

Coney Island Preparatory Public Charter School

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Coney Island Preparatory Public Charter School (the "School"), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

**Board of Trustees
Coney Island Preparatory Public Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Coney Island Preparatory Public Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 11, 2023

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

**Board of Trustees
Coney Island Preparatory Public Charter School**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Coney Island Preparatory Public Charter School (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 11, 2023

Coney Island Preparatory Public Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425W

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II

84.425U

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2023.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no findings in the prior year.

Board of Trustees
Coney Island Preparatory Public Charter School

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Coney Island Preparatory Public Charter School (the "School") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, and the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
October 11, 2023