

Ivy Hill Preparatory Charter School

Financial Statements

June 30, 2021 and 2020

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Independent Auditors' Report

Board of Trustees Ivy Hill Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Ivy Hill Preparatory Charter School (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2021 and for the period from June 12, 2018 (inception) to June 30, 2020, 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.

Auditors' 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year ended June 30, 2021 and for the period from June 12, 2018 (inception) to June 30, 2020 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 18, 2021, on our consideration of the 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 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 School's internal control over financial reporting and compliance.

Harrison, New York
October 18, 2021

Ivy Hill Preparatory Charter School

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Current Assets		
Cash	\$ 1,924,273	\$ 744,349
Grants and contracts receivable	45,165	183,357
Prepaid expenses and other current assets	89,499	7,383
Total Current Assets	2,058,937	935,089
Property and equipment, net	303,993	358,472
Security deposit	93,750	93,750
Restricted cash	50,000	20,000
	\$ 2,506,680	\$ 1,407,311
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 83,077	\$ 171,472
Accrued payroll and payroll taxes	65,453	62,849
Refundable advances	23,745	4,770
Deferred rent, current portion	451,938	701,938
Total Current Liabilities	624,213	941,029
Deferred rent	1,175,938	224,000
Total Liabilities	1,800,151	1,165,029
Net Assets		
Without donor restrictions	696,529	242,282
With donor restrictions	10,000	-
Total Net Assets	706,529	242,282
	\$ 2,506,680	\$ 1,407,311

See notes to financial statements

Ivy Hill Preparatory Charter School

Statement of Activities Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
State and local per pupil operating revenue	\$ 3,004,311	\$ -	\$ 3,004,311
State and local per pupil facilities funding	750,000	-	750,000
Federal grants	158,355	-	158,355
Contributions and grants	3,686	10,000	13,686
Other revenue	361	-	361
Total Revenue and Support	3,916,713	10,000	3,926,713
EXPENSES			
Program Services			
Regular education	2,059,759	-	2,059,759
Special education	933,980	-	933,980
Total Program Services	2,993,739	-	2,993,739
Supporting Services			
Management and general	443,741	-	443,741
Fundraising	24,986	-	24,986
Total Expenses	3,462,466	-	3,462,466
Change in Net Assets	454,247	10,000	464,247
NET ASSETS			
Beginning of year	242,282	-	242,282
End of year	\$ 696,529	\$ 10,000	\$ 706,529

See notes to financial statements

Ivy Hill Preparatory Charter School

Statement of Activities
Period from June 12, 2018 (Inception) to June 30, 2020

REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS

State and local per pupil operating revenue	\$ 2,075,770
State and local per pupil facilities funding	521,828
Federal grants	905,916
Contributions and grants	381,422
Other revenue	<u>2,364</u>
Total Revenue and Support	<u>3,887,300</u>

EXPENSES

Program Services	
Regular education	2,139,006
Special education	<u>908,900</u>
Total Program Services	3,047,906
Supporting Services	
Management and general	563,324
Fundraising	<u>33,788</u>
Total Expenses	<u>3,645,018</u>

Change in Net Assets 242,282

NET ASSETS, WITHOUT DONOR RESTRICTIONS

Beginning of period	<u>-</u>
End of period	<u>\$ 242,282</u>

Ivy Hill Preparatory Charter School

Statement of Functional Expenses
Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	4	\$ 54,326	\$ 83,506	\$ 137,832	\$ 196,037	\$ 6,695	\$ 340,564
Instructional personnel	14	514,810	231,710	746,520	-	-	746,520
Non-instructional personnel	1	24,000	36,000	60,000	-	-	60,000
Total Salaries and Staff	19	593,136	351,216	944,352	196,037	6,695	1,147,084
Fringe benefits and payroll taxes		124,036	73,446	197,482	40,995	1,400	239,877
Accounting/audit services		-	-	-	103,950	-	103,950
Other Purchased/professional/consulting services		20,394	10,248	30,642	4,042	277	34,961
Facility expense		943,760	406,543	1,350,303	87,116	14,519	1,451,938
Repairs and maintenance		61,143	26,339	87,482	5,644	941	94,067
Insurance		16,451	7,086	23,537	1,518	253	25,308
Supplies and materials		38,846	5,984	44,830	-	-	44,830
Equipment/furnishings		24,735	3,747	28,482	-	-	28,482
Staff development		33,585	5,133	38,718	15	3	38,736
Marketing/recruitment		27,795	4,210	32,005	-	-	32,005
Technology		88,412	13,391	101,803	-	-	101,803
Student services		9,257	1,402	10,659	-	-	10,659
Office expense		30,284	4,587	34,871	-	-	34,871
Depreciation and amortization		47,438	20,435	67,873	4,379	731	72,983
Other		487	213	700	45	167	912
Total Expenses		\$ 2,059,759	\$ 933,980	\$ 2,993,739	\$ 443,741	\$ 24,986	\$ 3,462,466

Ivy Hill Preparatory Charter School

Statement of Functional Expenses
 Period from June 12, 2018 (Inception) to June 30, 2020

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	4	\$ 95,048	\$ 108,245	\$ 203,293	\$ 281,012	\$ 12,383	\$ 496,688
Instructional personnel	10	426,918	164,190	591,108	-	-	591,108
Non-instructional personnel	2	19,807	26,057	45,864	-	-	45,864
Total Salaries and Staff	16	541,773	298,492	840,265	281,012	12,383	1,133,660
Fringe benefits and payroll taxes		103,222	56,871	160,093	53,540	2,359	215,992
Legal fees		-	-	-	1,104	-	1,104
Accounting/audit services		-	-	-	118,107	-	118,107
Other Purchased/professional/consulting services		33,236	15,393	48,629	6,885	578	56,092
Facility expense		941,048	405,375	1,346,423	86,866	14,478	1,447,767
Repairs and maintenance		109,197	47,039	156,236	10,080	1,680	167,996
Insurance		20,423	8,798	29,221	1,885	314	31,420
Supplies and materials		62,066	10,507	72,573	-	-	72,573
Equipment/furnishings		32,572	5,514	38,086	-	-	38,086
Staff development		43,645	8,769	52,414	487	81	52,982
Marketing/recruitment		47,433	8,030	55,463	-	-	55,463
Technology		90,870	15,383	106,253	-	-	106,253
Student services		35,509	6,011	41,520	-	-	41,520
Office expense		40,588	6,871	47,459	-	-	47,459
Depreciation		25,422	10,951	36,373	2,347	391	39,111
Other		12,002	4,896	16,898	1,011	1,524	19,433
Total Expenses		\$ 2,139,006	\$ 908,900	\$ 3,047,906	\$ 563,324	\$ 33,788	\$ 3,645,018

Ivy Hill Preparatory Charter School

Statements of Cash Flows

	Year ended June 30, 2021	Period from June 12, 2018 (inception) to June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 464,247	\$ 242,282
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	72,983	39,111
Deferred rent	701,938	925,938
Changes in operating assets and liabilities		
Grants and contracts receivable	138,192	(183,357)
Prepaid expenses and other current assets	(82,116)	(7,383)
Security deposit	-	(93,750)
Accounts payable and accrued expenses	(88,395)	171,472
Refundable Advances	18,975	4,770
Accrued payroll and payroll taxes	2,604	62,849
Net Cash from Operating Activities	1,228,428	1,161,932
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(18,504)	(397,583)
Net Change in Cash and Restricted Cash	1,209,924	764,349
CASH AND RESTRICTED CASH		
Beginning of period	764,349	-
End of period	\$ 1,974,273	\$ 764,349

See notes to financial statements

Ivy Hill Preparatory Charter School

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Tax Status

Ivy Hill Preparatory Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on June 12, 2018 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on June 12, 2018 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The charter expires on June 30, 2023. The School's mission is to educate kindergarten through fifth grade scholars to thrive in middle and high schools, graduate from the college of their choice, and access lives of promise and opportunity through high quality curriculum and instruction, intentional leadership development, and a commitment to excellence. The School provided education to approximately 175 students in kindergarten through second grade during the 2020-2021 academic year.

The New York City Department of Education provides free lunches directly to the School's students. Such costs are not included in these financial statements. The Office of Pupil Transportation provides free transportation to students during the district's school days.

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.

Net Assets 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. The School had no net assets with donor restrictions as of June 30, 2020.

Ivy Hill Preparatory Charter School

Notes to Financial Statements
June 30, 2021 and 2020

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 shown in the statements of cash flows as of June 30:

	2021	2020
Cash	\$ 1,924,273	\$ 744,349
Restricted cash	50,000	20,000
	<u>\$ 1,974,273</u>	<u>\$ 764,349</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 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. Minor 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:

Furniture and fixtures	7 years
Computers and equipment	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 for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the periods ended June 30, 2021 and 2020.

Refundable Advances

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

Ivy Hill Preparatory Charter School

Notes to Financial Statements
June 30, 2021 and 2020

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

Deferred Rent

The School records its rent in accordance with U.S. GAAP guidance whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statement of financial position.

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 net assets with donor restrictions support if they are received with donor stipulations. Contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the periods ended June 30, 2021 and 2020 was \$32,005 and \$55,463.

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 by function 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.

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. All Forms 990 filed by the School are subject to examination.

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 18, 2021.

Ivy Hill Preparatory Charter School

Notes to Financial Statements
June 30, 2021 and 2020

3. Grants and Contracts Receivable

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

4. Property and Equipment

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

	2021	2020
Furniture and fixtures	\$ 113,814	\$ 105,714
Computers and equipment	143,273	132,869
Leasehold improvements	159,000	-
Construction in progress	-	159,000
	<u>416,087</u>	<u>397,583</u>
Accumulated depreciation and amortization	(112,094)	(39,111)
	<u>\$ 303,993</u>	<u>\$ 358,472</u>

Construction in progress at June 30, 2020 is comprised of costs related to the School renovating a floor in the building and was placed in service August 1, 2020.

5. 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:

	2021	2020
Cash - unrestricted	\$ 1,924,273	\$ 744,349
Grants and contracts receivable	<u>45,165</u>	<u>183,357</u>
	1,969,438	927,706
Donor-imposed restrictions for specific purposes	(10,000)	-
	<u>\$ 1,959,438</u>	<u>\$ 927,706</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 invested in liquid instruments until it is required for operational use.

Ivy Hill Preparatory Charter School

Notes to Financial Statements
June 30, 2021 and 2020

6. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of 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. As of June 30, 2021 and 2020, approximately \$1,724,000 and \$513,000 of cash was maintained with institutions in excess of FDIC limits.

7. 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 periods ended June 30, 2021 and 2020, the School received approximately 96% and 67% 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.

8. Commitment

On March 22, 2019, the School signed a lease agreement with Nazareth Regional High School to lease office and classroom space under a non-cancelable lease expiring June 30, 2034 and paid a security deposit in the amount of \$93,750. The School moved into this space on July 1, 2019. The future minimum lease payments under this lease is as follows for the years ending June 30:

2022	\$ 1,000,000
2023	1,250,000
2024	1,500,000
2025	1,530,000
2026	1,560,600
Thereafter	<u>13,662,473</u>
	<u>\$ 20,503,073</u>

Rent expense is recognized on the straight-line basis. The differences between cash payments under the lease agreement and the straight-line rent have been recognized as deferred rent in the accompanying statement of financial position from inception of the lease. The difference between rent cash payments and straight-line rent recorded in the statement of financial position amounted to \$1,627,876 and \$925,938 at June 30, 2021 and 2020. Facility expense for the periods ended June 30, 2021 and 2020 was \$1,451,938 and \$1,447,767.

9. Net Assets with Donor Restrictions

For the year ended June 30, 2021, net assets with donor restrictions in the amount of \$10,000 were restricted for a computer science program.

Ivy Hill Preparatory Charter School

Notes to Financial Statements
June 30, 2021 and 2020

10. 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.

11. Risk and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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
Ivy Hill Preparatory 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 Ivy Hill Preparatory Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, 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 18, 2021.

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 the 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 may exist that have not been identified.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrison, New York
October 18, 2021