

**Ivy Hill Preparatory Charter School**

Financial Statements

June 30, 2023 and 2022

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## Independent Auditors' Report

**Board of Trustees**  
**Ivy Hill Preparatory Charter School**

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Ivy Hill Preparatory 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 Ivy Hill Preparatory 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 Ivy Hill Preparatory 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, Ivy Hill Preparatory 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 Ivy Hill Preparatory 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 Ivy Hill Preparatory 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 Ivy Hill Preparatory 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.

**Board of Trustees**

Ivy Hill Preparatory Charter School

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, on our consideration of Ivy Hill Preparatory 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 Ivy Hill Preparatory 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 Ivy Hill Preparatory Charter School's internal control over financial reporting and compliance.

Harrison, New York

October 20, 2023

## Ivy Hill Preparatory Charter School

### Statements of Financial Position

	June 30,	
	2023	2022
<b>ASSETS</b>		
Current Assets		
Cash	\$ 2,385,554	\$ 3,151,913
Grants and contracts receivable	456,525	118,952
Prepaid expenses and other current assets	30,692	22,348
Total Current Assets	2,872,771	3,293,213
Property and equipment, net	441,503	279,480
Right of use assets - operating lease, net	13,257,377	-
Security deposit	312,500	93,750
Restricted cash	100,000	75,000
	\$ 16,984,151	\$ 3,741,443
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 151,475	\$ 162,498
Accrued payroll and payroll taxes	143,875	132,901
Operating lease liability	950,058	-
Refundable advances	-	9,261
Deferred rent, current portion	-	201,938
Total Current Liabilities	1,245,408	506,598
Operating lease liability, less current portion	14,464,072	-
Deferred rent	-	1,877,877
Total Liabilities	15,709,480	2,384,475
Net assets, without donor restrictions	1,274,671	1,356,968
	\$ 16,984,151	\$ 3,741,443

See notes to financial statements

## Ivy Hill Preparatory Charter School

Statement of Activities  
Year Ended June 30, 2023

### REVENUE AND SUPPORT

State and local per pupil operating revenue	\$ 4,190,924
State and local per pupil facilities funding	1,125,508
Federal grants	512,353
State and city grants	65,936
Contributions and grants	1,550
Interest income	<u>3,559</u>
Total Revenue and Support	<u>5,899,830</u>

### EXPENSES

Program Services	
Regular education	3,859,497
Special education	<u>1,450,509</u>
Total Program Services	5,310,006
Supporting Services	
Management and general	657,467
Fundraising	<u>14,654</u>
Total Expenses	<u>5,982,127</u>

Change in Net Assets (82,297)

### NET ASSETS, WITHOUT DONOR RESTRICTIONS

Beginning of year	<u>1,356,968</u>
End of year	<u>\$ 1,274,671</u>

Ivy Hill Preparatory Charter School

Statement of Activities  
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
State and local per pupil operating revenue	\$ 4,180,989	\$ -	\$ 4,180,989
State and local per pupil facilities funding	1,000,000	-	1,000,000
Federal grants	340,656	-	340,656
Contributions and grants	4,649	-	4,649
Other revenue	20,207	-	20,207
Net assets released from restrictions	10,000	(10,000)	-
Total Revenue and Support	<u>5,556,501</u>	<u>(10,000)</u>	<u>5,546,501</u>
<b>EXPENSES</b>			
Program Services			
Regular education	3,272,568	-	3,272,568
Special education	1,090,455	-	1,090,455
Total Program Services	<u>4,363,023</u>	<u>-</u>	<u>4,363,023</u>
Supporting Services			
Management and general	523,992	-	523,992
Fundraising	9,047	-	9,047
Total Expenses	<u>4,896,062</u>	<u>-</u>	<u>4,896,062</u>
Change in Net Assets	660,439	(10,000)	650,439
<b>NET ASSETS</b>			
Beginning of year	<u>696,529</u>	<u>10,000</u>	<u>706,529</u>
End of year	<u>\$ 1,356,968</u>	<u>\$ -</u>	<u>\$ 1,356,968</u>

Ivy Hill Preparatory Charter School

Statement of Functional Expenses  
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	7	\$ 252,924	\$ 72,545	\$ 325,469	\$ 310,993	\$ 12,158	\$ 648,620
Instructional personnel	27	1,169,156	455,511	1,624,667	-	-	1,624,667
Non-instructional personnel	1	37,188	45,628	82,816	-	-	82,816
Total Personnel Services Costs	35	1,459,268	573,684	2,032,952	310,993	12,158	2,356,103
Fringe benefits and payroll taxes		282,701	111,139	393,840	60,248	2,355	456,443
Legal fees		-	-	-	7,316	-	7,316
Accounting/audit services		-	-	-	111,604	-	111,604
Other purchased/professional/consulting services		253,735	108,662	362,397	29,115	141	391,653
Building and land rent		943,760	406,543	1,350,303	101,636	-	1,451,939
Repairs and maintenance		218,312	94,042	312,354	23,510	-	335,864
Insurance		35,439	15,266	50,705	3,817	-	54,522
Supplies and materials		124,305	22,333	146,638	-	-	146,638
Equipment/furnishings		14,315	2,570	16,885	-	-	16,885
Staff development		177,319	31,838	209,157	-	-	209,157
Marketing/recruitment		42,050	7,550	49,600	-	-	49,600
Technology		106,238	19,075	125,313	-	-	125,313
Student services		56,368	10,121	66,489	-	-	66,489
Office expense		55,982	9,899	65,881	-	-	65,881
Depreciation and amortization		72,109	31,428	103,537	7,857	-	111,394
Other		17,596	6,359	23,955	1,371	-	25,326
Total Expenses		<u>\$ 3,859,497</u>	<u>\$ 1,450,509</u>	<u>\$ 5,310,006</u>	<u>\$ 657,467</u>	<u>\$ 14,654</u>	<u>\$ 5,982,127</u>



Ivy Hill Preparatory Charter School

Statement of Functional Expenses  
Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	7	\$ 156,629	\$ 116,416	\$ 273,045	\$ 216,814	\$ 7,512	\$ 497,371
Instructional personnel	23	1,058,495	242,078	1,300,573	-	-	1,300,573
Non-instructional personnel	1	30,848	40,219	71,067	-	-	71,067
Total Personnel Services Costs	31	1,245,972	398,713	1,644,685	216,814	7,512	1,869,011
Fringe benefits and payroll taxes		231,783	74,170	305,953	40,333	1,397	347,683
Legal fees		-	-	-	26,519	-	26,519
Accounting/audit services		-	-	-	98,322	-	98,322
Other purchased/professional/consulting services		128,905	52,984	181,889	15,405	138	197,432
Building and land rent		943,759	406,542	1,350,301	101,637	-	1,451,938
Repairs and maintenance		132,066	56,890	188,956	14,222	-	203,178
Insurance		31,198	13,439	44,637	3,360	-	47,997
Supplies and materials		81,329	10,128	91,457	-	-	91,457
Equipment/furnishings		9,689	1,138	10,827	-	-	10,827
Staff development		121,751	14,438	136,189	45	-	136,234
Marketing/recruitment		78,367	9,208	87,575	-	-	87,575
Technology		90,720	10,660	101,380	-	-	101,380
Student services		41,978	4,932	46,910	-	-	46,910
Office expense		60,426	7,100	67,526	-	-	67,526
Depreciation and amortization		55,549	23,928	79,477	5,980	-	85,457
Other		19,076	6,185	25,261	1,355	-	26,616
Total Expenses		<u>\$ 3,272,568</u>	<u>\$ 1,090,455</u>	<u>\$ 4,363,023</u>	<u>\$ 523,992</u>	<u>\$ 9,047</u>	<u>\$ 4,896,062</u>

## Ivy Hill Preparatory Charter School

### Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (82,297)	\$ 650,439
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	111,394	85,457
Amortization of right of use asset - operating lease	997,573	-
Deferred rent	-	451,939
Changes in operating assets and liabilities		
Grants and contracts receivable	(337,573)	(73,787)
Prepaid expenses and other current assets	(8,344)	67,151
Security deposit	(218,750)	-
Accounts payable and accrued expenses	(11,023)	79,421
Operating lease liability	(920,635)	-
Refundable advances	(9,261)	(14,484)
Accrued payroll and payroll taxes	10,974	67,448
Net Cash from Operating Activities	(467,942)	1,313,584
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchases of property and equipment	(273,417)	(60,944)
Net Change in Cash and Restricted Cash	(741,359)	1,252,640
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	3,226,913	1,974,273
End of year	\$ 2,485,554	\$ 3,226,913
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,266,698	\$ -
ROU assets recognized upon in exchange for operating lease liability	52,464	-

See notes to financial statements

# Ivy Hill Preparatory Charter School

Notes to Financial Statements  
June 30, 2023 and 2022

## 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 August 23, 2019 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 August 23, 2019 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, 2024. 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 212 students in kindergarten through fourth grade during the 2022-2023 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.

### ***Adoption of New Accounting Policies***

#### *Leases (Topic 842)*

In February 2016, the Financial Accounting Standards 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.

## Ivy Hill Preparatory Charter School

Notes to Financial Statements  
June 30, 2023 and 2022

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

#### ***Adoption of New Accounting Policies (continued)***

##### *Leases (Topic 842) (continued)*

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 \$16,334,765 that represents the present value of the operating lease payments of \$19,432,721, discounted with a risk-free interest rate using the treasury bond rate for 20 years of 3.35%, 10 years of 2.88%, and 3 years of 2.82%, and a right of use ("ROU") asset of \$16,334,765. The standard did not materially impact the statement of activities and cash flows.

#### ***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. The School had no net assets with donor restrictions at June 30, 2023.

#### ***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.

## Ivy Hill Preparatory Charter School

Notes to Financial Statements  
June 30, 2023 and 2022

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

#### ***Restricted Cash (continued)***

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 at June 30:

	2023	2022
Cash	\$ 2,385,554	\$ 3,151,913
Restricted cash	100,000	75,000
	<u>\$ 2,485,554</u>	<u>\$ 3,226,913</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. 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 years ended June 30, 2023 and 2022.

#### ***Leases***

The School accounts for leases under Accounting Standards Update (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.

## Ivy Hill Preparatory Charter School

Notes to Financial Statements  
June 30, 2023 and 2022

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

#### ***Leases (continued)***

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 land rent 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 and summer program fees 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 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 years ended June 30, 2023 and 2022 was \$49,600 and \$87,575.

## Ivy Hill Preparatory 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 purchased, professional and consulting services, building and land rent, and repairs and maintenance 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. 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 20, 2023.

### 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:

	2023	2022
Furniture and fixtures	\$ 126,374	\$ 120,809
Computers and equipment	392,801	197,222
Leasehold improvements	231,273	159,000
	<u>750,448</u>	<u>477,031</u>
Accumulated depreciation and amortization	(308,945)	(197,551)
	<u>\$ 441,503</u>	<u>\$ 279,480</u>

## Ivy Hill Preparatory Charter School

Notes to Financial Statements  
June 30, 2023 and 2022

### 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:

	2023	2022
Cash	\$ 2,385,554	\$ 3,151,913
Grants and contracts receivable	456,525	118,952
	<u>\$ 2,842,079</u>	<u>\$ 3,270,865</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. 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 7).

### 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, 2023 and 2022, approximately \$2,236,000 and \$2,977,000 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 years ended June 30, 2023 and 2022, the School received approximately 90% and 93% 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. Lease Commitments

#### *Facility Lease*

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.



## Ivy Hill Preparatory Charter School

Notes to Financial Statements  
June 30, 2023 and 2022

### 8. Lease Commitments (*continued*)

#### ***Equipment lease***

On August 1, 2022, the School entered into a non-cancelable lease for a copy machine expiring July 31, 2025.

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

Right of use assets - operating lease	\$ 14,254,950
Less: accumulated amortization	<u>(997,573)</u>
	<u>\$ 13,257,377</u>
Weighted average remaining lease term	10.98 years
Weighted average discount rate	2.97%

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

2024	\$ 1,393,216
2025	1,548,216
2026	1,562,118
2027	1,591,812
2028	1,623,648
Thereafter	<u>10,447,013</u>
Total minimum lease payments	18,166,023
Present value discount	<u>(2,751,893)</u>
Present value of lease liabilities	15,414,130
Current portion	<u>(950,058)</u>
Lease liabilities, less current portion	<u>\$ 14,464,072</u>

Lease expense under both leases for the years ended June 30, 2023 and 2022 was \$1,471,493 and \$1,451,938 and included in building and land rent and office expense in the 2023 statement of functional expenses.

### 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 and were released from donor restrictions during the year ended June 30, 2022.

## Ivy Hill Preparatory Charter School

Notes to Financial Statements  
June 30, 2023 and 2022

### 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.

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**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") (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 20, 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.

Harrison, New York  
October 20, 2023