
**NEW WORLD PREPARATORY CHARTER
SCHOOL AND SUBSIDIARY**

**Consolidated Financial Statements
with Supplementary Information**

For the years ended June 30, 2020 and 2019

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidated Financial Statements
June 30, 2020 and 2019

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Independent Auditors' Report

To the Board of Trustees of
New World Preparatory Charter School and Subsidiary

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 the *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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of New World Preparatory Charter School and Subsidiary as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other reporting required by government auditing standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020 on our consideration of New World Preparatory Charter School and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 New World Preparatory Charter School and Subsidiary's internal control over financial reporting and compliance.

Report on supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary financial information included in the consolidating statement of financial position is presented for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

NChing LLP

New York, New York
October 30, 2020



NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**Consolidated Statements of Financial Position**

As of June 30,

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 3,773,895	\$ 479,280
Grants receivable	297,363	171,600
Prepaid expenses	<u>347,567</u>	<u>550,000</u>
Total current assets	4,418,825	1,200,880
Property and equipment, net	4,630,403	4,190,325
Other assets		
Reserve contingency	<u>75,400</u>	<u>75,369</u>
Total assets	<u><u>\$ 9,124,628</u></u>	<u><u>\$ 5,466,574</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 673,806	\$ 346,896
Accrued salaries and other payroll-related expenses	1,471,173	1,026,957
Refundable advances	<u>190,136</u>	<u>167,505</u>
Total current liabilities	2,335,115	1,541,358
Long Term Liabilities		
SBA Loan - paycheck protection program	<u>1,225,823</u>	<u>-</u>
Total long term liabilities	1,225,823	-
Total liabilities	<u>3,560,938</u>	<u>1,541,358</u>
Net assets without donor restrictions		
Undesignated	5,488,290	3,849,847
Reserve - contingency	<u>75,400</u>	<u>75,369</u>
Total net assets without donor restrictions	<u>5,563,690</u>	<u>3,925,216</u>
Total liabilities and net assets without donor restrictions	<u><u>\$ 9,124,628</u></u>	<u><u>\$ 5,466,574</u></u>

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**Consolidated Statements of Activities**

For the years ended June 30,

	<u>2020</u>	<u>2019</u>
<u>Operating revenue and other support</u>		
State and local per pupil operating revenue		
General education	\$ 8,990,301	\$ 6,278,166
Special education	2,242,015	1,752,330
Facility lease assistance	<u>670,000</u>	<u>120,000</u>
Total state and local per pupil operating revenue	11,902,316	8,150,496
Grants, contract and other support		
State and local grants	150,303	235,199
Federal grants	515,677	474,743
Contributions	46,378	40,418
Interest and other income	<u>75,305</u>	<u>95,837</u>
Total operating revenue and other support	<u>12,689,979</u>	<u>8,996,693</u>
<u>Expenses</u>		
Program expenses		
Regular education	7,850,556	6,085,028
Special education	<u>2,026,315</u>	<u>1,619,706</u>
Total program expenses	9,876,871	7,704,734
Supporting services		
Management and general	1,147,163	1,142,731
Fundraising	<u>27,471</u>	<u>16,710</u>
Total program and supporting services expenses	<u>11,051,505</u>	<u>8,864,175</u>
Change in net assets	1,638,474	132,518
Net assets without donor restrictions - beginning of year	<u>3,925,216</u>	<u>3,792,698</u>
Net assets without donor restrictions - end of year	<u>\$ 5,563,690</u>	<u>\$ 3,925,216</u>

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the year ended June 30, 2020

	Program expenses			Supporting services		Total Program and Supporting Services
	Regular education	Special education	Total programs	Fundraising	Management & general	
Salaries						
Instructional personnel	\$ 3,624,980	\$ 1,095,338	\$ 4,720,318	\$ -	\$ -	\$ 4,720,318
Administrative staff personnel	623,246	23,540	646,786	-	367,674	1,014,460
Non-instructional personnel	442,741	16,723	459,464	-	261,188	720,652
Total salaries	<u>4,690,967</u>	<u>1,135,601</u>	<u>5,826,568</u>	<u>-</u>	<u>628,862</u>	<u>6,455,430</u>
Operating expenses						
Payroll taxes and fringe benefits	948,646	229,650	1,178,296	-	127,174	1,305,470
Retirement	104,191	25,223	129,414	-	13,968	143,382
Office Expense	51,109	12,374	63,483	-	6,852	70,335
Contracted services	322,643	125,057	447,700	-	83,372	531,072
Marketing and recruitment	30,232	7,319	37,551	-	4,053	41,604
Legal and professional fees	43,125	8,308	51,433	-	29,057	80,490
Insurance	91,349	22,114	113,463	-	72,875	186,338
Repairs and maintenance	274,554	66,465	341,019	-	36,806	377,825
Occupancy	216,263	50,216	266,479	-	27,688	294,167
School and staff development	226,111	54,737	280,848	-	30,312	311,160
Student services	5,479	95,531	101,010	-	702	101,712
Food service	157,049	44,296	201,345	-	-	201,345
Supplies and instructional materials	255,574	33,922	289,496	-	18,785	308,281
Building supplies and equipment leasing	66,003	15,978	81,981	-	8,848	90,829
Technology	37,423	9,059	46,482	-	5,017	51,499
Utilities	84,277	20,402	104,679	-	11,298	115,977
Depreciation	187,740	46,935	234,675	-	26,075	260,750
Other expenses	57,821	23,128	80,949	27,471	15,419	123,839
Total operating expenses	<u>3,159,589</u>	<u>890,714</u>	<u>4,050,303</u>	<u>27,471</u>	<u>518,301</u>	<u>4,596,075</u>
Total expenses	<u>\$ 7,850,556</u>	<u>\$ 2,026,315</u>	<u>\$ 9,876,871</u>	<u>\$ 27,471</u>	<u>\$ 1,147,163</u>	<u>\$ 11,051,505</u>

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the year ended June 30, 2019

	Program expenses			Supporting services		Total Program and Supporting Services
	Regular education	Special education	Total programs	Fundraising	Management & general	
Salaries						
Instructional personnel	\$ 2,465,840	\$ 786,397	\$ 3,252,237	\$ -	\$ -	\$ 3,252,237
Administrative staff personnel	545,541	21,748	567,289	-	332,115	899,404
Non-instructional personnel	439,671	17,527	457,198	-	267,663	724,861
Total salaries	<u>3,451,052</u>	<u>825,672</u>	<u>4,276,724</u>	<u>-</u>	<u>599,778</u>	<u>4,876,502</u>
Operating expenses						
Payroll taxes and fringe benefits	734,405	175,708	910,113	-	127,636	1,037,749
Retirement	78,331	18,741	97,072	-	13,614	110,686
Financial and administrative	259,217	103,687	362,904	-	61,509	424,413
Contracted services	59,157	14,153	73,310	-	10,281	83,591
Administrative	36,208	8,663	44,871	-	6,293	51,164
Marketing and recruitment	9,639	2,306	11,945	-	1,675	13,620
Legal and professional fees	-	-	-	-	19,100	19,100
Insurance	54,864	13,167	68,031	-	41,697	109,728
Repairs and maintenance	187,905	44,957	232,862	-	32,657	265,519
Occupancy	81,597	19,522	101,119	-	14,181	115,300
School and staff development	224,601	57,420	282,021	-	38,280	320,301
Student services	2,865	49,949	52,814	-	367	53,181
Field trips	9,410	2,191	11,601	-	1,289	12,890
Food service	132,378	37,337	169,715	-	-	169,715
Supplies and instructional materials	220,182	52,679	272,861	-	38,267	311,128
Building supplies and equipment leasing	211,745	50,660	262,405	-	36,800	299,205
Technology	22,680	5,426	28,106	-	3,942	32,048
Utilities	72,822	17,423	90,245	-	12,656	102,901
Depreciation	152,420	36,495	188,915	-	25,761	214,676
Other expenses	83,550	83,550	167,100	16,710	56,948	240,758
Total operating expenses	<u>2,633,976</u>	<u>794,034</u>	<u>3,428,010</u>	<u>16,710</u>	<u>542,953</u>	<u>3,987,673</u>
Total expenses	<u>\$ 6,085,028</u>	<u>\$ 1,619,706</u>	<u>\$ 7,704,734</u>	<u>\$ 16,710</u>	<u>\$ 1,142,731</u>	<u>\$ 8,864,175</u>

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY**Consolidated Statements of Cash Flows**

For the years ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 1,638,474	\$ 132,518
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	260,750	214,676
Changes in operating assets and liabilities		
Grants receivable	(125,763)	59,483
Prepaid expenses	202,433	(540,000)
Accounts payable	326,910	113,224
Accrued salaries and other payroll-related expenses	444,216	320,354
Refundable advances	22,631	132,128
Net cash provided by operating activities	<u>2,769,651</u>	<u>432,383</u>
Cash flows from investing activities		
Acquisition of fixed assets	(700,828)	(4,057,997)
Increase in reserve contingency	(31)	(37)
Net cash used in investing activities	<u>(700,859)</u>	<u>(4,058,034)</u>
Cash flows from financing activities		
SBA Loan - paycheck protection program	<u>1,225,823</u>	-
Net cash provided by financing activities	1,225,823	-
Net increase/(decrease) in cash and cash equivalents	3,294,615	(3,625,651)
Cash and cash equivalents - beginning of year	<u>479,280</u>	<u>4,104,931</u>
Cash and cash equivalents - end of year	<u>\$ 3,773,895</u>	<u>\$ 479,280</u>

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

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Note 1 Organization

New World Preparatory Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Staten Island, New York. The School was granted a five-year charter in February 2010 and commenced sixth grade classes in September 2010. Seventh and eighth grades were added in 2011 and 2012. The School is currently operating under its second charter renewal which is effective January 9, 2018 for an additional five years and was granted the expansion from Kindergarten to Fifth Grade, effectively making it a Kindergarten to Eight Grade school. In September 2018, fifth grade was added and in September 2019, kindergarten and first grade were added. The School provides an exceptional education for students by employing research-proven strategies to raise middle school academic achievement including academic rigor and relevance, personalization, focused professional development, and meaningful engagement of families and the larger community.

Friends of New World Prep, Inc. (the “Friends of NWP”), is a non-profit organization, founded in September 2018 under Section 402 of the Not-for-Profit Corporate Law of the State of New York. Friends of is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The board of trustees of the School has control over the board of trustees of Friends of NWP and as a result the two entities are being consolidated.

From hereon in, the School and Friends of NWP are referred to as the “Organization”.

Note 2 Summary of significant accounting policies

Principles of consolidation. The financial statements are consolidated to include the accounts of the School and the Friends of NWP. All significant intercompany transactions and balances have been eliminated in the consolidation.

Basis of presentation and use of estimates. The consolidated financial statements have been prepared in conformity 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Financial statements presentation. The consolidated financial statements of the Organization follows the accounting standard for not-for-profit organization, which require the Organization to report information regarding its consolidated statements of financial position and consolidated statements of activities according to the following net asset classifications:

Net Assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net Assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net asset without donor restrictions in the consolidated statements of activities.

Reclassifications. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financials. These reclassifications have no effect on the changes in net asset.

Cash and cash equivalents. The Organization considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

Revenue recognition. The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue are recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Grants receivable. Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$297,363 and \$171,600 at June 30, 2020 and 2019, respectively. There is no allowance recorded at June 30, 2020 and 2019 as all amounts are deemed collectible.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The Organization capitalizes additions and significant improvements in excess of \$1,000. Items with an acquisition cost of less than \$1,000 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

Asset	Useful Life
Building	39 years
Furniture and fixtures	7 years
Leasehold improvements	5 years
Computer and office equipment	3 years

Construction-in-progress at June 30, 2020 and June 30, 2019 consists of costs incurred for architecture, engineering, and professional fees related to the construction of the School's new facility. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

Reserve contingency. Under the provisions of its charter, the School established an escrow amount to pay for legal and audit expenses that would be associated with dissolution, should such event occur.

Refundable advances. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying consolidated statements of financial position.

Donated goods and services. The Organization receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying consolidated statements of activities, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

The School received donated transportation and food service services from the local district. The School was unable to determine a value for these services.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Functional Expenses. The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services, administrative and fundraising. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Financial and administrative	Time and effort
Insurance	Square Footage
Repairs and maintenance	Time and effort
Building, equipment leasing and furnishings	Square Footage

Income taxes. The School is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying consolidated financial statements.

The School is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2017.

New accounting pronouncements. On August 18, 2016, FASB issued ASU 2016-14, Non-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Non-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and has adjusted the presentation of these consolidated financial statements accordingly.

In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. The standard requires retrospective application and represents a change in accounting principal. The adoption of this ASU has no effect on the consolidated statement of cash flows.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional. The Organization has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Note 3 Liquidity and availability

Financial Assets:	2020	2019
Cash and cash equivalents	\$ 3,773,895	\$ 479,280
Grants receivable	297,363	171,600
Amount available for general expenditure within one year	<u>\$ 4,071,258</u>	<u>\$ 650,880</u>

Note 4 Property and equipment

Property and equipment consist of the following as of June 30,

	2020	2019
Leasehold improvements	\$ 1,185,198	\$ 1,173,262
Land	1,919,232	1,919,232
Building	959,356	959,356
Furniture and fixtures	175,076	162,221
Computer equipment	970,287	814,629
Office equipment	39,959	33,362
Construction-in-progress	1,494,549	980,768
	<u>6,743,657</u>	<u>6,042,830</u>
Less, accumulated depreciation	<u>(2,113,254)</u>	<u>(1,852,505)</u>
	<u>\$ 4,630,403</u>	<u>\$ 4,190,325</u>

Note 5 Accrued salaries and other payroll-related expenses

Accrued salaries and other payroll-related expenses consist of amounts earned by the staff during the school year which are paid out over the summer months. For the years ended June 30, 2020 and 2019, accrued bonuses relating to a retention plan were approximately \$527,435 and \$427,435, respectively. Also included in accrued salaries and other payroll-related expenses is accrued salary of \$943,738 and \$599,522 as of June 30, 2020 and 2019, respectively.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Note 6 Retirement plan

The School offers a 401(k) plan for all qualifying employees. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The School matches 100% of an employee's contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2020 and 2019, the School's matching contribution were \$143,382 and \$110,686 respectively. Such plan assets are held in a separate trust and are not included in the accompanying consolidated financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

Note 7 Commitments

The School is a lessee under two operating leases, principally for classroom space and administrative offices which expires June 30, 2023 and July 31, 2025 respectively. For the years ended June 30, 2020 and 2019, rent expense was \$294,167 and \$115,300 respectively.

Future minimum lease payments, as follows:

Year Ending June 30,	Amount
2021	\$ 616,167
2022	749,946
2023	804,673
2024	513,750
2025	529,163
thereafter	44,204
	<u>\$ 3,257,903</u>

Note 8 Concentration of credit risk

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The management of the School believes it is not exposed to significant credit risk on cash and cash equivalents.

The School received approximately 91% and 95% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the years ended June 30, 2020 and 2019, respectively. Additionally, the School's grants receivable consists of approximately 83% and 97%, respectively, from the New York State Department of Education.

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Note 9 Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying consolidated financial statements.

Note 10 SBA Loan-paycheck protection program

On May 5, 2020, the School obtained a loan of \$1,225,823 (the “PPP loan”) from a commercial bank pursuant to the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (the “SBA”) pursuant to the Coronavirus Aid Relief and Economic Security Act (“CARES Act”). The PPP Loan and accrued interest will be forgivable after twenty-four weeks as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The PPP loan matures on May 5, 2022 and bears an interest rate of 1% per annum, with interest accruing on the unpaid principal balance. No payments of principal or interest are due during the six-month period beginning on the date of the PPP loan (the “Deferral Period”). The PPP loan balance as of June 30, 2020 was \$1,225,823

Note 11 Potential Impact of the Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. As a result of the pandemic, the School will begin the 2020-2021 school year with a completely remote learning. The ultimate effect of COVID-19 on the School and its future operating cannot presently be determined.

Note 12 Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through October 30, 2020, the date that the consolidated financial statements were available to be issued. There were no events requiring adjustments or disclosure to the consolidated financial statements.

Independent Auditors' 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

To the Board of Trustees of
New World Preparatory Charter School and Subsidiary

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 consolidated financial statements of New World Preparatory Charter School and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2020.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered New World Preparatory Charter School and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of New World Preparatory Charter School and Subsidiary'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 consolidated 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 New World Preparatory Charter School and Subsidiary's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.

NChing LLP

New York, New York
October 30, 2020

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Financial Positions
For year ended June 30, 2020

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 3,773,895	\$ -	\$ -	\$ 3,773,895
Grants receivable	297,363	-	-	297,363
Rent receivable	-	375,000	(375,000)	-
Prepaid expenses	347,567	-	-	347,567
Loans Receivable from Friends Of	4,373,137	-	(4,373,137)	-
Total current assets	8,791,962	375,000	(4,748,137)	4,418,825
Property and equipment, net	281,864	4,348,539	-	4,630,403
Other assets				
Restricted cash	75,400	-	-	75,400
Total assets	<u>\$ 9,149,226</u>	<u>\$ 4,723,539</u>	<u>\$ (4,748,137)</u>	<u>\$ 9,124,628</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued expenses	\$ 1,028,806	\$ 20,000	(375,000)	\$ 673,806
Loans Payable to New World Prep	-	4,373,137	(4,373,137)	-
Accrued salaries and other payroll-related expenses	1,471,173	-	-	1,471,173
Refundable advances	190,136	-	-	190,136
Total current liabilities	2,690,115	4,393,137	(4,748,137)	2,335,115
Long Term Liabilities				
SBA Loan - paycheck protection program	1,225,823	-	-	1,225,823
Total long term liabilities	1,225,823	-	-	1,225,823
Total liabilities	3,915,938	4,393,137	(4,748,137)	3,560,938
Net assets without donor restrictions				
Undesignated	5,157,888	330,402	-	5,488,290
Reserve - contingency	75,400	-	-	75,400
Total net assets without donor restrictions	5,233,288	330,402	-	5,563,690
Total liabilities and net assets without donor restrictions	<u>\$ 9,149,226</u>	<u>\$ 4,723,539</u>	<u>\$ (4,748,137)</u>	<u>\$ 9,124,628</u>

NEW WORLD PREPARATORY CHARTER SCHOOL AND SUBSIDIARY
Consolidating Statement of Activities
For year ended June 30, 2020

	<u>NWPCS</u>	<u>Friends of NWP</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating revenue and other support				
State and local per pupil operating revenue				
General education	\$ 8,990,301	\$ -	\$ -	\$ 8,990,301
Special education	2,242,015	-	-	2,242,015
Facility lease assistance	670,000	-	-	670,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total state and local per pupil operating revenue	11,902,316	-	-	11,902,316
Grants, contract and other support				
State and local grants	150,303	-	-	150,303
Federal grants	515,677	-	-	515,677
Contributions	46,378	-	-	46,378
Rental Income	-	375,000	(375,000)	-
Interest and other income	75,305	-	-	75,305
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Total operating revenue and other support	12,689,979	375,000	(375,000)	12,689,979
Expenses				
Program expenses				
Regular education	8,180,958	44,598	(375,000)	7,850,556
Special education	2,026,315	-	-	2,026,315
	<hr/>	<hr/>	<hr/>	<hr/>
Total program expenses	10,207,273	44,598	(375,000)	9,876,871
Supporting services				
Management and general	1,147,163	-	-	1,147,163
Fundraising	27,471	-	-	27,471
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Total program and supporting services expenses	11,381,907	44,598	(375,000)	11,051,505
Change in net assets	1,308,072	330,402	-	1,638,474
Net assets without donor restrictions - beginning of year	3,925,216	-	-	3,925,216
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Net assets without donor restrictions - end of year	<u>\$ 5,233,288</u>	<u>\$ 330,402</u>	<u>\$ -</u>	<u>\$ 5,563,690</u>