Capital P p Cha t Schools NY 0

Financial Statements 0

June 3 , 2 2

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Trustees
Capital Prep Charter Schools NY
Report on the Financial Statements

We have audited the accompanying financial statements of Capital Prep Charter Schools NY (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the period from October 4, 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.

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Opini n o

In our opinion, the financial statements referred to above present fairly, in all material respects, o the financial position of the School as of June 30, 2020, and the changes in its net assets and its cash flows for the period from October 4, 2018 (inception) to June 30, 2020 in accordance o with accounting principles generally accepted in the United States of America. o

Rep rt n Supplementary Inf rmati n o

Our audit was coo ducted for the purpose of forming an opinion on the financial statements as a o whole. The sch o dules of activities and functional expenses by sch o ol on pages 16 through 18 o are presented for purposes of additional analysis and is not a required part of the financial sta d ements. Such information is the responsibility of management and was derived from and o relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and o reconciling such information directly to the underlying accounting and other records used to o c f o procedures in accordance with auditing standards generally accepted in the United States of o America. In our opinion, the information is fairly stated, in all material respects, in relation to the o financial statements as a whole. o

Other Reporting Req ired by *G o vernment Auditing Standards* o

In accordance with *Government Auditing Standards*, we have also issued our report dated o October 19, 2020, on our consideration of the School's internal control over financial reporting o and on our tests o of its co o pliance with certain provisions of laws, regulations, contracts, and o grant agreements and other matters. The purpose of that report is solely to descri b e the sco p e o of our testing of internal control over financial reporting and compliance and the results of that o testing, and not to provide an opinion on the effectiveness of the School's internal control over o financial reporting or on com q pliance. That report is an integral part of an audit performed in o accordance with *Government Auditing Standards* in considering the School's internal control o over financial reporting and compliance. o

PKF O'Connor Davies, LLP

Harrison, New York o
October 19, 2020 o

Capital Prep Charter Schools NY 0

S a eme of Fi a cial Posi io
Ju e 3 , 2 2 0

ASSETS 0	
Curre Asse s	
Cash	$ 1,781,188 0
Gra s a d co rac s receivable 0	662,83
Prepaid expe ses a d o her curre asse s 0	69,344 0
Securi y deposi , curre por io 0	,
To al Curre Asse s	3, 13,362
Proper y a d equipme , e	887,3 6 0
Securi y deposi 0	42, 0
Res ric ed cash 0	75,
	$ 4,117,668 0
LIABILITIES AND NET ASSETS	
Curre Liabili ies 0	
Accou s payable a d accrued expe ses 0	$ 57,53
Due o rela ed par y	216,98 0
Promissory o e, rela ed par y, curre por io 0	,
Deferred re , curre por io 0	4 ,2 8
To al Curre Liabili ies	614,718 0
Paycheck Pro ec io Program loa payable 0	7 2,83
Promissory o e, rela ed par y	3 ,
To al Liabili ies	1,617,548 0
Ne Asse s	
Wi hou do or res ric io s 0	2, 83,12
Wi h do or res ric io s	417,
To al Ne Asse s	2,5 ,12 0
	$ 4,117,668 0

See o es o fi a cial s a eme s 0

Capital Prep Charter Schools NY

Statement of Activities
Period from October 4, 2018 (inception) to June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
General education	$ 6,076,745	$ -	$ 6,076,745
Special education	909,129	-	909,129
Lease assistance	1,473,350	-	1,473,350
Federal grants	665,510	-	665,510
Federal IDEA and E-Rate	108,053	-	108,053
State and city grants	39,208	-	39,208
Total Operating Revenue	9,271,995	-	9,271,995
EXPENSES			
Program Services			
Regular education	5,581,564	-	5,581,564
Special education	2,399,962	-	2,399,962
Total Program Services	7,981,526	-	7,981,526
Supporting Services			
Management and general	699,801	-	699,801
Fundraising	2,631	-	2,631
Total Expenses	8,683,958	-	8,683,958
Surplus from Operations	588,037	-	588,037
SUPPORT AND OTHER REVENUE			
Grants and contributions	531,456	417,000	948,456
Change in Net Assets	1,119,493	417,000	1,536,493
NET ASSETS			
Beginning of period	-	-	-
Transfer of net assets pursuant to merger of Charter Academy	963,627	-	963,627
End of period	$ 2,083,120	$ 417,000	$ 2,500,120

See notes to financial statements

Capital Prep Charter Schools NY

Statement of F nctiona Expenses
Period from October 29, 2018 (Inception) to J ne 0, 2020 3

l F 3	No. o 3 Position	Program Service eg a d catio	pecia d catio	ota	pporting Services nagement nd Genera	ndraisin	ota
Personne Services Costs							
Administrative staff personne		$ 3 76,198	$ 3 7, 2	$ 3 6 ,5 0	$ 05,227	$,045 3	$ 3 69,802
Instr ctiona personne		,8 2,041	91,96	,824,004	6,450	3	2,840,454
Non-instr ctiona personne		275,166	6 ,522	8,688	41,721	851	81,260 3
Tota Sa aries and Staf	7 3	2,48 ,405	,142,817	,626,222	6 , 98	,896	,891,516 3
Fringe benefits and payro taxe 3		01,882	28, 12	,0 0,194	4,847 3	74 3	,095,415
Retiremen		6,845 3	,965 3	4,810 3	,455		6,27
Management company fee		77,067	09,044	86,111	2,225		78, 6
Lega service 3					16,166		16,166
Acco nting/a dit service 3		3	3	3	0,198		0,198
Other p rchased/professiona /cons ting service 3		51,1003	6,4893	07,5893	0, 47		17,940
B i ding and and rent/ eas 3		27,9603	01,679 3	,229,6 9 3	,594	9	,29 ,472 3
Repairs and maintenanc 3		8,700 3	8,478 3	7,1783	,508	7	1,70
Ins ranc 3		6,051 3	6,516 3	2,567 3	,9 1	0 3	5,508
Uti ities 3		6,465 3	, 5 3	,8183	99 3		,418
S pp ies/materia 3		2,444 3	9,724 3	2,168 3			2,168
Eq ipment/f rnishing 3		9,486 3	,518 3	8,0043	,041 3		1,046
Staff deve opmen 3		,062 3	,2763	9, 8 3			9, 8 3
Marketing/recr itmen 3		7,8 8 3	,906 3	1,7443	,712		5,462
Techno og 3		0 ,9 9 3	5,881 3	49,8203	,44	1 3	59, 04
Food service 3		9, 56 3	8,874 3	8,2 0 3			8,2 0
St dent service 3		4,5 3	4,840 3	9, 7 3			9, 7
Office expens 3		8,552 3	,902 3	7,454 3	1,159		8,621 3
Depreciation and amortization 3		96,0643	7,80 3	6 ,867 3	0,684	6	74,577 3
Other expense		,815	1,585	8,400	1,494	- 3	9,894
Tota Expense 3		$,581,564 3	$ 2, 99,962 3	$ 7,981,526 3	$ 3 699,801 3	$ 3 2,6 1	$ 8,68 ,958

See notes to financia satement 3

Capital Prep Charter Schools NY

Statement of Cash Flows
Period from October 4, 2018 (Inception) to June 30, 2020 6

CASH FLOWS FROM OPERATING ACTIVITIES 6	
Change in net assets 6	$ 1,53 ,493 6
Adjustments to reconcile change in net assets 6	
to net cash from operating activities	
Depreciation and amortization	274,577
Deferred rent	240,208 6
Transfer of net assets pursuant to merger of CP Harlem 6	9 3, 27 6
Changes in operating assets and liabilities	
Grants and contracts receivable	(2,830)
Prepaid expenses and other current assets 6	(9,344)
Security deposits	(42,000) 6
Accounts payable and accrued expenses	57,530
Due to related party	21 ,980
Net Cash from Operating Activities	1,915,241 6
CASH FLOWS FROM INVESTING ACTIVITY 6	
Purchases of property and equipment 6	(1,1 1,883) 6
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Paycheck Protection Program loan payable 6	702,8306
Proceeds from promissory note, related party 6	500,000
Repayment of promissory note, related party 6	(100,000) 6
Net Cash from Financing Activities	1,102,830
Net Change in Cash and Restricted Cash	1,85 ,188 6
CASH AND ESTRICTED CASH 6	
Beginning of period 6	- 6
End of Period 6	$ 1,85 ,188 6
The following table provides a reconciliation of cash and restricted cash within the statements of financial position: 6	
Cash	$ 1,781,688
Restricted cash 6	75,000
	$ 1,85 ,188 6

See notes to financial statements 6

Capital P p Cha t Schools NY u

Notes to Financial Statements u
J ne 30, 2020

1. O ganization and Tax Status

Capital Prep Charter Schools NY (the "School") is a New York State, not-for-profit ed cational corporation operating in New York City p rs ant to Article 56 of the Ed cation Law of the State of New York. The accompanying financial statements incl de the following charter schools, u collectively referred to as the "School":

Capital Preparatory Bronx Charter School ("CP Bronx") is a New York State, not-for- u profit ed cational corporation that was incorporated on October 4, 2018 to operate a charter school p rs ant to Article 56 of the Ed cation Law of the State of New York. CP Bronx was granted a provisional charter on October 4, 2018 valid for a term of five years and renewable pon expiration by the Board of Regents of the University of the State of u New York (the "Board of Regents"). CP Bronx's charter will expire J ly 31, 2025. CP Bronx u opened in the fall of 2020. BP Bronx had no financial activity from October 4, 2018 (inception) to J ne 30, 2019. u

Capital Preparatory Harlem Charter School ("CP Harlem") is a New York State, not-for- u profit ed cational corporation that was incorporated on November 18, 2014 to operate a u charter school p rs ant to Article 56 of the Ed cation Law of the State of New York. CP u Harlem was granted a provisional charter on November 18, 2014 valid for a term of five u years and renewable pon expiration by the Board of Regents of the University of the State u of New York (the "Board of Regents"). Effective J ly 1, 2019, CP Harlem's charter approval u was amended and restated to merge CP Harlem and CP Bronx into a single not-for-profit legal entity. CP Harlem's charter will expire J ne 30, 2021.

CP Bronx and CP Harlem merged into a single not-for-profit legal entity nder CP Bronx, which serves as the sole s rviving ed cational corporation. The plan of merger was approved by the u State University of New York Charter School Committee on J ne 14, 2019, and became effective for financial p rposes on J ly 1, 2019. Each school is a thorized by the Charter u Schools Instit te of the State University of New York nder CP Bronx's provisional charter, as u amended to effect the merger, and the s rviving entity's name was changed to Capital Prep u Charter Schools NY. u

The School's mission is to provide historically disadvantaged st dents with the college and career readiness skills needed to become responsible and engaged citizens for social j stice. u The School provided ed cation to approximately 371 st dents in grades sixth thro gh tenth u d ring the 2019-2020 academic year. u

Except for taxes that may be d e for nrelated b siness income, the School is exempt from u federal income taxes nder Section 501(c)(3) of the Internal Reven e Code and from state and u local income taxes nder comparable laws. u

2. Summa y of Significant Accounting Polici s

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with acco nting principles generally accepted in the United States of America ("U.S. GAAP"), which req ires u management to make estimates and ass mptions that affect the reported amo nts of assets and liabilities and disclos re of contingent assets and liabilities at the date of the financial statements and the reported amo nts of reven es and expenses d ring the reporting period. u Accordingly act al res lts co ld differ from those estimates. u

Adoption of New Accounting Policies u

Recognition of Contributions u

Effective J ly 1, 2019, the School adopted Acco nting Standards Update ("ASU") 2018-08, u *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This g idance provides a framework for eval ating whether u contrib tions and grants sho ld be acco nted for as exchange transactions or as u nonexchange transactions. Analysis of vario s provisions of this standard res lted in no u significant changes in the way the School recognizes contrib tions and grants, and therefore u no changes to the previo sly iss ed a dited financial statements were req ired on a u retrospective basis. u

Restricted Cash u

In November 2016, the Financial Acco nting Standards Board iss ed ASU 2016-18, u Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 req ires significant u changes regarding how restricted cash is classified and presented on the statement of cash u flows. On J ly 1, 2019, the School adopted the new g idance regarding the presentation u and classification of restricted cash. The g idance req ires the School to 1) incl de u restricted cash and restricted cash eq ivalents in the cash and cash eq ivalents balances u on the statements of cash flows, 2) provide a reconciliation between the statements of u financial position and the statements of cash flows when more than one line item for cash, u cash eq ivalents, restricted cash, and restricted cash eq ivalents is presented on the statements of financial position, 3) eliminate the presentation of transfers between restricted u cash and cash, and 4) incl de disclos res abo t the nat re of the restrictions for material u balances. Adoption of the ASU res lted in a change in the acco nting for restricted cash on u the statements of cash flows. u

Net Assets Presentation u

Reso rces for vario s p rposes are classified for acco nting and reporting p rposes into net u asset categories established according to nat re and p rpose as follows:

Net Assets Without Donor Restrictions – Net assets available for se in general s pports of the School's operations and not s bject to donor or grantor restrictions. Net assets u witho t donor restrictions may be sed at the discretion of the School's management and u Board of Tr stees. u

2. Summa y of Significant Accounting Polici s (continu d)

Net Assets Presentation (continued)

Net Assets With Donor Restrictions – Net assets s bject to donor or grantor imposed u restrictions for specific activities of the School or to be sed at some f t re date. Some donor-imposed restrictions are temporary in nat re, s ch as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpet al in nat re, where the donor stip lates that reso rces be maintained in perpet ity. Donor-imposed restrictions are released when a restriction expires, that is, when the stip lated time has elapsed, when the stip lated p rpose for which the reso rce u was restricted has been f lfilled, or both.

Restricted Cash

Under the provisions of its charter, the School established an escrow acco nt to pay for legal u and a dit expenses that wo ld be associated with a dissol tion, sho ld it occ r. u

Property and Equipment u

The School follows the practice of capitalizing all expendit res for property and eq ipment with u costs in excess of $5,000 and a sef l life in excess of one year. Leasehold improvements are u amortized over the shorter of the term of the lease, incl sive of all renewal periods, which are u reasonably ass red, or the estimated sef l life of the asset. P rchased property and eq ipment are recorded at cost at the date of acq isition. Minor costs of maintenance and repairs are expensed as inc rred. All property and eq ipment p rchased with government u f nding is capitalized, nless the government agency retains legal title to s ch assets, in which u case it is expensed as inc rred. u

Depreciation is recognized on the straight-line method over the estimated sef l lives of s ch u assets as follows: u

F rnit re and fixt res u	7 years
Comp ters and eq ipment u	5 years u

Property and eq ipment are reviewed for impairment if the se of the asset significantly u changes or another indicator of possible impairment is identified. If the carrying amo nt for the u asset is not recoverable, the asset is written down to its fair val e. There were no asset u impairments for the period from October 4, 2018 (inception) to J ne 30, 2020. u

Deferred Rent u

The School records its rent in accordance with U.S. GAAP, whereby all rental payments, u incl ding fixed rent increases, are recognized on a straight-line basis as an offset to rent u expense. The difference between the straight-line rent expense and the req ired leaseu payments, as well as any namortized lease incentive, is reflected in deferred rent in the u accompanying statements of financial position. u

2. Summa y of Significant Accounting Polici s *(continued)*

Revenue and Support

Reven e from the state and local governments res lting from the School's charter stat s and based on the n mber of st dents enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local f nds are recorded u when expendit res are inc rred and billable to the government agency.

Contrib tions are recognized when the donor makes a promise to give to the School that is, in u s bstance, nconditional. Grants and other contrib tions of cash are reported as temporarily u restricted s pport if they are received with donor stip lations. Restricted contrib tions andu grants that are made to s pport the School's c rrent period activities are recorded as nrestricted reven e. Contrib tions of assets other than cash are recorded at their estimated u fair val e at the date of donation. u

Marketing and Recruitment

Marketing and recr itment costs are expensed as inc rred for staff and st dent recr itment. Marketing and recr itment expense for the period from October 4, 2018 (inception) to J ne 30, u 2020 was $65,462. u

Functional Expense Allocation u

The majority of expenses can generally be directly identified with the program or s pporting u service to which they relate and are charged accordingly. Other expenses by f nction haveu been allocated among program and s pporting services classifications on the basis of periodic u time and expense st dies and other basis as determined by management of the School to be u appropriate. u

Accounting for Uncertainty in Income Taxes u

The School recognizes the effect of income tax positions only if those positions are more likely u than not to be s stained. Management has determined that the School had no ncertain tax u positions that wo ld req ire financial statement recognition or disclos re. All ret rns filed by the u School are s bject to examinations by the applicable taxing j risdictions. u

Subsequent Events Evaluation by Management

Management has eval ated s bseq ent events for disclos re and/or recognition in the financial statements thro gh the date that the financial statements were available to be iss ed, u which date is October 19, 2020.

3. G ants and Cont acts R c ivabl

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

4. P op ty and Equipm ent

Property and eq ipment consisted of the following at J ne 30, 2020: u

F rnit re and fixt res	$ 393,070
Comp ters and eq ipment	658,411
Leasehold improvements	466,580
Constr ction in progress u	136,954
	1,655,015 u
Acc m ulated depreciation and amortization	(767,709)
	$ 887,306

Constr ction in progress at J ne 30, 2020 consists of costs of constr ction to prepare the u Bronx facility for occ pancy. The Bronx facility was placed into service d ring the year ending u J ne 30, 2021.

5. Liquidity and Availability of Financial Ass ts

Financial assets available for general expendit re, that is, witho t donor or other restrictions u limiting their se within one year of the statement of financial position date, are comprised of u the following at J ne 30, 2020: u

Cash u	$ 1,781,188 u
Grants and contracts receivable u	662,830 u
Sec rity deposit, c rrent portion u	500,000 u
	$ 2,944,018

As part of the School's liq idity management plan, the stat s of grants and contracts receivable u is monitored reg larly and any excess cash is invested in highly liq id instr ments. The School u will contin e to rely on f nding received from the New York City Department of Ed cation to u cover its f t re operating costs (see Note 9).

6. R lat d Pa ty T ansactions (not disclos d ls wh) u

The School is affiliated with Capital Preparatory Schools, Inc. ("CPS"), a Connectic t non- u stock corporation, by common management.

6. R lat d Pa ty T ansactions (not disclos d ls wh) *(continued)*

D ring fiscal 2017, the School entered into a f ll service agreement with CPS to ndertake, u on its behalf, f nctions in regards to b siness, administrative, and academic services of the School. Effective March 10, 2020, this agreement was amended to expire on J ne 30, 2021 for CP Harlem and J ly 31, 2025 for BP Bronx, and shall contin e thereafter for five year terms to r n conc rrent with each of the schools' respective charters. As compensation to CPS for these services rendered, d ring the period from October 4, 2018 (inception) to J ne u 30, 2020, the School paid to CPS an amo nt eq al to 10% of the School's gross reven es, u which is defined nder the f ll service agreement as f nding provided by state, federal, andu local government (if applicable) b t shall excl de any competitive p blic grants and private u grant f nding awarded to the School. u

For the period from October 4, 2018 (inception) to J ne 30, 2020, the School inc rredu $878,336 in management fees to CPS, along with $147,673 of net operating expenses paid u by CPS on behalf of the School. Net balance d e to CPS from the School was $216,980 at u J ne 30, 2020. u

On March 25, 2019, the School entered into a promissory note payable with CPS in the amo nt u of $500,000 to f nd the sec rity deposit nder the lease agreement for space located at 1660 u Boone Aven e, Bronx, New York (see Note 10). The note mat res on J ne 1, 2024 and does u not bear interest. The loan is payable in five ann al eq al installments of $100,000 by J ne 1st of each year, starting with J ne 1, 2020. u

Minim m f t re principal payments nder this note are to be paid as follows for the years u ending J ne 30: u

2021	$ 100,000
2022 u	100,000 u
2023	100,000
2024 u	100,000 u
	400,000
Less c rrent portion u	100,000 u
Promissory note, related party	$ 300,000 u

7. Employ B n fit Plan

The School maintains a pension plan q alified nder Internal Reven e Code 401(k), for the benefit of its eligible employees. Under the plan, the School provided matching contrib tions p to 4% of the participant's ann al compensation. Employee match for the period from October 4, u 2018 (inception) to J ne 30, 2020 amo nted to $26,273.

8. Conc nt ation of C dit Risk

Financial instr ments that potentially s bject the School to concentrations of credit and market risk consist principally of cash and cash eq ivalents on deposit with financial instit tions, which from time to time may exceed the Federal Deposit Ins rance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss d e to the fail re of a financial instit tion u presently exists. At J ne 30, 2020, approximately $1,606,000 of cash was maintained with an instit tion in excess of FDIC limits.

9. Conc nt ation of R v nu and Suppo t

The School receives a s bstantial portion of its reven e and s pport from the New York City Department of Ed cation ("NYCDOE"). For the period from October 4, 2018 (inception) to J ne 30, 2020, the School received approximately 83% of its total reven e and s pport from the NYCDOE. If the charter school laws were modified, red cing or eliminating these reven es, the u School's finances co ld be materially adversely affected. u

10. Commitm ents

On March 17, 2016, the School entered into an operating s b-s blease agreement with Boys and Girls Harbor, Inc. to s blease a portion of a b ilding located at 1 East 104th Street, New York, New York. The lease term commenced on J ly 1, 2016 and expires on J ne 30, 2021, with fo r s ccessive options to extend the term of the s blease by p to five years per option. The lease was amended several times to reflect changes in the rent rates and leased premises u size.

On J ne 26, 2019, the School entered into a lease agreement with JJS Boone LLC, to lease a u b ilding located at 1660 Boone Aven e, Bronx, New York. The term of the lease is for thirty- u two years commencing on J ly 1, 2020. Under the terms of this lease, the school paid a u sec rity deposit in the amo nt of $500,000 d ring the period from October 4, 2018 to J ne 30, u 2020. On J ly 6, 2020, the School terminated the lease d e to Landlord being nable to close u on the acq isition of the property by J ly 1, 2020. The School anticipates the sec rity deposit to u be ref nded.

On Febr ary 10, 2020, the School entered into a lease agreement with 755 Coop City LLC, to u lease a b ilding located at 755 Co-op City Bo levard, Bronx, NY 10475. The lease term u commenced on J ly 1, 2020 and expires on December 31, 2022 with an option to extend the u lease ntil J ne 30, 2023. Under the terms of this lease, the school paid a sec rity deposit in u the amo nt of $142,000 d ring the period from October 4, 2018 (inception) to J ne 30, 2020. u

F t re minimum lease payments nder both facility leases are as follows for the years ending u J ne 30: u

2 2	, ,
2022	1,200,000
2023 u	1,500,000
	$ 5,083,683 u

10. Commitm ents *(continued)*

Rent expense for the period from October 4, 2018 (inception) to J ne 30, 2020 was u $1,293,472.

11. N t Ass ts with Dono R st ictions

Net assets with donor restrictions consisted of the following at J ne 30, 2020: u

CP Harlem		
Staff development	$	90,000
St dent college partnership		40,000
St dent recr itment and retention		70,000
		200,000 u
CP Bronx		
School start- p u		217,000
	$	417,000 u

12. Paych ck P ot ction P og am Loan Payabl

On May 4, 2020, the School q alified for and received a loan p rs ant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small B siness Administration nder the Coronavir s Aid, Relief, and Economic Sec rity Act, from a q alified u PPP lender, for an aggregate principal amo nt of $702,830 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per ann m, with the first six months of interest deferred, has a term of five years, and is nsec red and g aranteed by the U.S. Small B siness Administration. The principal amo nt of the PPP Loan is s bject to forgiveness nder the PPP pon the School’s req est to the extent that the PPP Loan proceeds are sed to pay expenses u permitted by the PPP, incl ding payroll costs, covered rent and mortgage obligations, and covered tility payments inc rred by the School. The School intends to apply for forgiveness of u the PPP Loan with respect to these covered expenses. The School believes that most, if not u all, of the PPP Loan will meet the req irements for debt forgiveness. To the extent that all or u part of the PPP Loan is not forgiven, the School will be req ired to pay interest on the PPP Loan thro gh the date principal is repaid in f ll or mat rity date.

13. Conting ncy

Certain grants and contracts may be s bject to a dit by the f nding so rces. S ch a dits might res lt in disallowances of costs s bmitted for reimb rsement. Management is of the opinion u that s ch cost disallowances, if any, will not have a material effect onuthe accompanying financial statements. Accordingly, no amo nts have been provided in the accompanying u financial statements for s ch potential claims.

14. Risks and Unc u tainti s

The School's operations and financial performance may be affected by the recent COVID-19 o tbreak which has spread globally and is expected to adversely affect economic conditions thro gho t the world. If the o tbreak contin es and conditions worsen, the School may experience a disr ption in operations as well as a decline in reven e activities. Economic ncertainty is related to the potential red ction and/or delays in state and local per p pil u operating reven e, shortfalls and variations in enrollment, and operational and other changes that co ld increase expenses. The o tbreak may adversely affect the School's activities, u financial condition, res lts 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 u negative impact. However, management is nable to estimate the financial impact, if any, u related to this matter. u

15. M g Info mation

As stated in Note 1, the State University of New York Charter School Committee approved a merger of CP Bronx and CP Harlem effective J ly 1, 2019, into a single legal entity nder CP Bronx, which serves as the sole s rviving entity. Below is a s mmary of opening balances as of u J ly 1, 2019 for CP Harlem:

ASSETS	
Cash	$ 1,125,432
Grants and contracts receivable	33,071
Prepaid expenses and other c rrent assets	13,052
Property and eq ipment, net	682,085
Restricted cash	75,000 u
	$ 1,928,640
LIABILITIES AND NET ASSETS	
Acco nts payable and accr ed expenses	$ 141,847
Ref ndable advances	252,695
D e to related party	134,613
Deferred rent	435,858
Total Liabilities	965,013 u
Net assets, witho t donor restrictions u	963,627
	$ 1,928,640 u

* * * * * u

Capital P p Cha t Schools NY i

Supplementary Informat on

June 30, 2020

Capital Prep Charter Schools NY g

Schedule of Activities by School
Yea E ded Ju e 30, 2020

r W	CP Ha lem g Without Do o Rest ictio	th Do o est ictio	ota	CP B o x g thout Do o g est ictio s g	ith Do o Rest ictio	ota g	otal
OPERATING REVENUE							
State a d local pe pupil ope ati eve ue g							
Ge e al educatio	$,076,745 g	$	$ g ,076,745 g	$	$	$ g	$ g ,076,745 g
Special educatio	09,129		09,129				09,129
Lease assista c	,473,350 g		,473,350				,473,350
Fede al a t	51,74		51,746	13,76 g		13,764 g	65,510
Fede al IDEA a d E-Rat g	08,05		08,053 g				08,053 g
State a t	9,208	-	39,208	- g	-	- g	39,208
Total Ope ati Reve u g	,758,231 g	- g	8,758,231 g	513,764	- g	513,764	9,271,995 g
EXPENSES							
P o am Se vices							
Re ula educatio	,281,880 g		,281,880 g	99,684 g		99,684 g	,581,564 g
Special educatio g	,347,966g	- g	2,347,966g	51,996 g	- g	51,996 g	2,399,962
Total P o am Se vice	,629,846		,629,846	51,680		51,680	,981,526 g
Suppo ti Se vices							
Ma a eme t a d e e a g	46,488 g		46,488 g	53,313 g		53,313 g	99,801
Fu d aisi	,709	-	1,709	922	-	922	2,631
Total Expe se	,178,043	- g	8,178,043	505,915	- g	505,915	8,683,958
Su plus f om Ope atio	80,188 g		80,188 g	,849 g		,849 g	88,037 g
SUPPORT AND OTHER REVENUE g							
G a ts a d co t ibutio	48,456	200,000	448,456	283,000	217,000	500,000	948,456
Cha e i Net Assets g	28,644 g	00,000 g	,028,644 g	90,849 g	17,000 g	07,849 g	,536,493 g
NET ASSETS g							
Be i i of yeag						g	- g
T a sfe of et assets pu sua t to me e of CP Ha le g	63,627 g	- g	963,627 g	- g	- g	- g	963,627 g
E d of Yea g	$ g ,792,271 g	$ g 200,000 g	$ g 1,992,271 g	$ g 290,849 g	$ g 217,000 g	$ g 507,849 g	$ g 2,500,120 g

Capital Prep Charter Schools NY

Sched e of F nctiona Expenses - CP Har em 3
Year Ended J ne 0, 2020

l a	No. o Positions	Program Service 3 eg a Ed catio	pecia Ed3 catio	l 5ta	pporting Services 3 nagement 3 nd Genera	ndraising 3	Tot3a
Personne Services Costs							
Administrative staff personne		$ 76,198	$ 7, 2	$ 3 6 ,5 0	$ 98, 10	$,045	$ 62,885
Instr ctiona personne	2	,705,162	70,792	,675,954		3	2,675,954
Non-instr ctiona personne		240,257	55,859 3	296,116 3	-	- 3	296,116 3
Tota Sa aries and Staf	4	2, 21,617	,11 ,98	,4 5,600	98, 10	,045	,6 4,955
Fringe benefits and payro taxe		74, 24 3	2 ,560	97,884	7,601	0	1,055,788
Retiremen		6,467	,902	4, 69	,406	3	25,78
Management company fee 3		77,067 3	09,044 3	86,111 3	2,225		873, 6
Lega service					5 3 07 3		5 , 07 3
Acco nting/a dit service					263,4 5		26,4 5
Other p rchased/professiona /cons ting service 3		76, 05	4,009	20, 14	50		220,968
B i ding and and rent/ eas		27,960	01,679	,229,6 9	,594	9	1,29 ,472
Repairs and maintenanc		8,700	8,478	7,178 3	,508	7	1,70
Ins ranc		2,992 3	6,006 3	8,998	,5 4 3	0 3	1,542 3
Uti itie		,465	, 5	,818	99		,418
S pp ies/materia		2,444	9,724	2,168			92,168
Eq ipment/f rnishing		9,486 3	,518 3	8,004	,041 3		41,046 3
Staff deve opmen		3 ,062	,276	9, 8 3			29, 8
Marketing/recr itmen 3		8,487	0,677	9,164	,20	3	40, 7
Techno og		1,184	,75	4,9 7	,789	1 3	142,767
Food service		9, 56	8,874	8,2 0			88,2 0
St dent service		4,5	4,840	9, 7			69, 7
Office expens		8,552	,902	7,454	1,108	3	48,570
Depreciation and amortization 3		96,064	7,80	6 ,867	0,684	6	274,577
Other expense		,815	1,585	8,400	1,494	- 3	9,894 3
Tota Expense		$,281,880 3	$ 2, 47,966 3	$ 7,629,846 3	$ 546,488 3	$ 3 1,709	$ 8,178,04

See independent a ditors' report 3

Capital Prep Charter Schools NY

Sched e of F nctiona Expenses CP Bronx -
Year Ended J ne 30, 2020

		Program Service -			pporting Services -		
	No. o	eg a	pecia		nagement		
l a	Positions-	Ed catio	Ed catio	l Fota	nd Genera	ndraising	Tota
Personne Services Costs							
Administrative staff personne		$	$	$	$,917	$	$,917
Instr ctiona personne		26,879	1,171	48,050	6,450		164,500
Non instr ctiona personne		34,909	7,663	42,572	41,721	851	85,144
Tota Sa aries and Staf		161,788	8,834	90,622	5,088	51	56,561
Fringe benefits and payro taxe -		7,558	,752	2,310	,246	1 -	9,627
Retiremen		78 -	3 -	41 -	9		90
Lega service					2,859		62,859 -
Acco nting/a dit service					,763 -		,763
Other p rchased/professiona /cons ting service -		4,795 -	2,480-	7,275 -	,697		96,972 -
Ins ranc		,059	10	,569	97		,966
Marketing/recr itmen -		9,351 -	,229 -	2,580 -	,509 -		25,089 -
Techno og		2,755	,128	4,883	,654		16,537
Office expens					51		51
Tota Expense -		$ - 99,684 -	$ - 51,996 -	$ - 351,680 -	$ 153,313 -	$ - 922 -	$ - 505,915 -

See independent a ditors' report -

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Report on ntern l Control Over Fin nci l Reporting nd on Compli nce nd Other Matters B sed on n Audit of Fin nci l St tements Performed in Accord nce With *G overnment Auditing Standards*

ndependent Auditors' Report

Bo rd of Trustees
C pit l Prep Ch rter Schools NY

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 Capital Prep Charter Schools NY (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the period from October 4, 2018 (inception) to June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2020.

ntern l Control Over Fin nci l Reporting

In planning and performing our audit of the financial statements, we considered the School'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 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 t e r h a o preve tec o a s e deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

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Compliance and Other Matter

s part of obtaining reasonable assurance about whether the School's financial statements are A free from material misstatement, we performed tests of its compliance with certain provisions of A laws, regulations, contracts, and grant agreements, noncompliance with which could have a A direct and material effect on the determination of financial statement amounts. However, A providing an opinion on compliance with those provisions was not an objective of our audit, and A accordingly, we do not express such an opinion. The results of our tests disclosed no instances A of noncompliance or other matters that are required to be reported under *Government Auditing* A *Standards*. A

P rpo e of thi Report A

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

PKF O'Connor Davies, LLP

Harrison, New York A
October 19, 2020 A