

Manhattan Charter Schools

Financial Statements

June 30, 2022 and 2021

Independent Auditors' Report

Board of Trustees
Manhattan Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Manhattan Charter Schools (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 Manhattan Charter Schools as of June 30, 2022 and 2021, 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 Manhattan Charter Schools 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 opinions.

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 Manhattan Charter Schools 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 Manhattan Charter Schools 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 Manhattan Charter Schools ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2022 on pages 18 through 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of Manhattan Charter Schools' 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 Manhattan Charter Schools 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 Manhattan Charter Schools internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 28, 2022

Manhattan Charter Schools

Statements of Financial Position

| | June 30, | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 7,097,403 | \$ 6,560,399 |
| Investments | 1,328,704 | 1,384,394 |
| Grants and contracts receivable | 514,877 | 301,141 |
| Prepaid expenses and other current assets | 157,643 | 369,762 |
| Total Current Assets | 9,098,627 | 8,615,696 |
| Property and equipment, net | 233,426 | 233,408 |
| Restricted cash | 150,825 | 150,445 |
| | \$ 9,482,878 | \$ 8,999,549 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 245,654 | \$ 187,646 |
| Accrued payroll and payroll taxes | 664,426 | 633,197 |
| Refundable advances | - | 7,836 |
| Total Current Liabilities | 910,080 | 828,679 |
| Net Assets | | |
| Without Donor Restrictions | | |
| Undesignated | 7,249,973 | 6,847,717 |
| Board designated | 1,320,000 | 1,320,000 |
| Total Net Assets Without Donor Restrictions | 8,569,973 | 8,167,717 |
| With donor restrictions | 2,825 | 3,153 |
| Total Net Assets | 8,572,798 | 8,170,870 |
| | \$ 9,482,878 | \$ 8,999,549 |

Manhattan Charter Schools

Statement of Activities Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| OPERATING REVENUE | | | |
| State and local per pupil operating revenue | | | |
| General education | \$ 5,290,716 | \$ - | \$ 5,290,716 |
| Special education | 831,740 | - | 831,740 |
| Federal grants | 682,052 | - | 682,052 |
| Federal E-Rate and IDEA | 149,160 | - | 149,160 |
| State grants | 29,147 | - | 29,147 |
| Total Operating Revenue | 6,982,815 | - | 6,982,815 |
| EXPENSES | | | |
| Program Services | | | |
| Regular education | 4,519,951 | - | 4,519,951 |
| Special education | 1,366,698 | - | 1,366,698 |
| Total Program Services | 5,886,649 | - | 5,886,649 |
| Supporting Services | | | |
| Management and general | 723,711 | - | 723,711 |
| Fundraising | 13,890 | - | 13,890 |
| Total Expenses | 6,624,250 | - | 6,624,250 |
| Surplus from Operations | 358,565 | - | 358,565 |
| SUPPORT AND OTHER REVENUE | | | |
| Contributions | 23,108 | 13,680 | 36,788 |
| Investment income, net | 6,575 | - | 6,575 |
| Net assets released from restrictions | 14,008 | (14,008) | - |
| Total Support and Other Revenue | 43,691 | (328) | 43,363 |
| Change in Net Assets | 402,256 | (328) | 401,928 |
| NET ASSETS | | | |
| Beginning of year | 8,167,717 | 3,153 | 8,170,870 |
| End of year | \$ 8,569,973 | \$ 2,825 | \$ 8,572,798 |

Manhattan Charter Schools

Statement of Activities
Year Ended June 30, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| OPERATING REVENUE | | | |
| State and local per pupil operating revenue | | | |
| General education | \$ 5,957,373 | \$ - | \$ 5,957,373 |
| Special education | 858,152 | - | 858,152 |
| Federal grants | 298,188 | - | 298,188 |
| Federal E-Rate and IDEA | 134,695 | - | 134,695 |
| State grants | <u>28,865</u> | - | <u>28,865</u> |
| Total Operating Revenue | <u>7,277,273</u> | - | <u>7,277,273</u> |
| EXPENSES | | | |
| Program Services | | | |
| Regular education | 4,490,090 | - | 4,490,090 |
| Special education | <u>1,293,501</u> | - | <u>1,293,501</u> |
| Total Program Services | 5,783,591 | - | 5,783,591 |
| Supporting Services | | | |
| Management and general | 726,745 | - | 726,745 |
| Fundraising | <u>13,528</u> | - | <u>13,528</u> |
| Total Expenses | <u>6,523,864</u> | - | <u>6,523,864</u> |
| Surplus from Operations | <u>753,409</u> | - | <u>753,409</u> |
| SUPPORT AND OTHER REVENUE | | | |
| Contributions | 18,257 | - | 18,257 |
| Investment income, net | 5,651 | - | 5,651 |
| Other revenue | <u>12,620</u> | - | <u>12,620</u> |
| Total Support and Other Revenue | <u>36,528</u> | - | <u>36,528</u> |
| Change in Net Assets | 789,937 | - | 789,937 |
| NET ASSETS | | | |
| Beginning of year | <u>7,377,780</u> | <u>3,153</u> | <u>7,380,933</u> |
| End of year | <u>\$ 8,167,717</u> | <u>\$ 3,153</u> | <u>\$ 8,170,870</u> |

Manhattan Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2022

| | No. of Positions | Program Services | | | Supporting Services | | Total |
|--|---------------------|----------------------|----------------------|---------------------|---------------------------|------------------|---------------------|
| | | Regular Education | Special Education | Total | Management and General | Fundraising | |
| Personnel Services Costs | | | | | | | |
| Administrative staff personnel | 11 | \$ 613,729 | \$ 244,998 | \$ 858,727 | \$ 322,514 | \$ 10,312 | \$ 1,191,553 |
| Instructional personnel | 42 | 2,385,767 | 636,005 | 3,021,772 | - | - | 3,021,772 |
| Non-instructional personnel | 3 | 67,093 | 19,968 | 87,061 | - | - | 87,061 |
| Total Personnel Services Costs | <u>56</u> | <u>3,066,589</u> | <u>900,971</u> | <u>3,967,560</u> | <u>322,514</u> | <u>10,312</u> | <u>4,300,386</u> |
| Employee benefits and payroll taxes | | 563,034 | 159,336 | 722,370 | 62,343 | 1,971 | 786,684 |
| Retirement | | 81,145 | 22,898 | 104,043 | 8,959 | 283 | 113,285 |
| Legal services | | - | - | - | 8,254 | - | 8,254 |
| Accounting and auditing services | | - | - | - | 280,773 | - | 280,773 |
| Other professional and consulting services | | 157,789 | 63,754 | 221,543 | 3,092 | 104 | 224,739 |
| Repairs and maintenance | | 4,582 | 1,382 | 5,964 | 541 | 17 | 6,522 |
| Insurance | | 58,744 | 17,893 | 76,637 | 7,005 | 228 | 83,870 |
| Supplies and materials | | 105,334 | 39,031 | 144,365 | - | - | 144,365 |
| Equipment and furnishings | | 6,112 | 1,477 | 7,589 | 577 | 17 | 8,183 |
| Staff development | | 112,712 | 39,876 | 152,588 | 1,336 | 43 | 153,967 |
| Marketing and recruiting | | 64,876 | 26,215 | 91,091 | - | - | 91,091 |
| Technology | | 137,042 | 41,941 | 178,983 | 16,421 | 537 | 195,941 |
| Student service | | 55,517 | 21,523 | 77,040 | - | - | 77,040 |
| Office expense | | 23,271 | 6,548 | 29,819 | 2,562 | 81 | 32,462 |
| Depreciation and amortization | | 66,143 | 18,856 | 84,999 | 7,378 | 234 | 92,611 |
| Miscellaneous | | 17,061 | 4,997 | 22,058 | 1,956 | 63 | 24,077 |
| Total Expenses | | <u>\$ 4,519,951</u> | <u>\$ 1,366,698</u> | <u>\$ 5,886,649</u> | <u>\$ 723,711</u> | <u>\$ 13,890</u> | <u>\$ 6,624,250</u> |

Manhattan Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2021

| | No. of Positions | Program Services | | | Supporting Services | | Total |
|--|---------------------|----------------------|----------------------|---------------------|---------------------------|------------------|---------------------|
| | | Regular Education | Special Education | Total | Management and General | Fundraising | |
| Personnel Services Costs | | | | | | | |
| Administrative staff personnel | 10 | \$ 411,157 | \$ 150,191 | \$ 561,348 | \$ 333,657 | \$ 10,060 | \$ 905,065 |
| Instructional personnel | 40 | 2,573,519 | 684,420 | 3,257,939 | - | - | 3,257,939 |
| Non-instructional personnel | <u>2</u> | <u>63,166</u> | <u>20,093</u> | <u>83,259</u> | <u>-</u> | <u>-</u> | <u>83,259</u> |
| Total Personnel Services Costs | <u>52</u> | <u>3,047,842</u> | <u>854,704</u> | <u>3,902,546</u> | <u>333,657</u> | <u>10,060</u> | <u>4,246,263</u> |
| Employee benefits and payroll taxes | | 590,648 | 164,743 | 755,391 | 65,913 | 2,025 | 823,329 |
| Retirement | | 71,174 | 19,904 | 91,078 | 7,694 | 248 | 99,020 |
| Legal services | | - | - | - | 33,920 | - | 33,920 |
| Accounting and auditing services | | - | - | - | 244,424 | - | 244,424 |
| Other professional and consulting services | | 123,183 | 45,531 | 168,714 | 1,176 | 39 | 169,929 |
| Repairs and maintenance | | 9,841 | 2,750 | 12,591 | 1,091 | 33 | 13,715 |
| Insurance | | 57,705 | 16,102 | 73,807 | 6,721 | 181 | 80,709 |
| Supplies and materials | | 119,060 | 42,476 | 161,536 | - | - | 161,536 |
| Equipment and furnishings | | 105 | 29 | 134 | 10 | - | 144 |
| Staff development | | 80,044 | 29,200 | 109,244 | 1,030 | 34 | 110,308 |
| Marketing and recruiting | | 78,933 | 28,513 | 107,446 | - | - | 107,446 |
| Technology | | 162,716 | 45,422 | 208,138 | 18,718 | 521 | 227,377 |
| Student service | | 35,430 | 12,409 | 47,839 | - | - | 47,839 |
| Office expense | | 21,314 | 5,968 | 27,282 | 2,194 | 79 | 29,555 |
| Depreciation and amortization | | 78,342 | 21,895 | 100,237 | 8,646 | 266 | 109,149 |
| Miscellaneous | | <u>13,753</u> | <u>3,855</u> | <u>17,608</u> | <u>1,551</u> | <u>42</u> | <u>19,201</u> |
| Total Expenses | | <u>\$ 4,490,090</u> | <u>\$ 1,293,501</u> | <u>\$ 5,783,591</u> | <u>\$ 726,745</u> | <u>\$ 13,528</u> | <u>\$ 6,523,864</u> |

Manhattan Charter Schools

Statements of Cash Flows

| | Year Ended June 30, | |
|--|---------------------|--------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 401,928 | \$ 789,937 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 92,611 | 109,149 |
| Unrealized loss on investments | 30 | 6,433 |
| Changes in operating assets and liabilities | | |
| Grants and contracts receivable | (213,736) | 8,317 |
| Prepaid expenses and other current assets | 212,119 | (197,312) |
| Accounts payable and accrued expenses | 58,008 | (15,697) |
| Accrued payroll and payroll taxes | 31,229 | (84,178) |
| Refundable advances | (7,836) | 7,836 |
| Net Cash from Operating Activities | 574,353 | 624,485 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (92,629) | (85,771) |
| Purchases of investments | (220,381) | (10,297) |
| Proceeds from sale of investments | 276,041 | - |
| Net Cash from Investing Activities | (36,969) | (96,068) |
| Net Change in Cash and Restricted Cash | 537,384 | 528,417 |
| CASH AND RESTRICTED CASH | | |
| Beginning of year | 6,710,844 | 6,182,427 |
| End of year | \$ 7,248,228 | \$ 6,710,844 |

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Tax Status

Manhattan Charter Schools is a New York State not-for-profit education corporation operating in New York City pursuant to Article 56 of the Education Law of the State of New York. The accompanying financial statements include the following charter schools, collectively referred to as the "School":

Manhattan Charter School ("MCS") was incorporated on July 21, 2004, and was granted a provisional charter on July 21, 2004 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 "Board of Regents"). The Board of Regents approved and issued several renewals to MCS's charter. Effective July 1, 2016, MCS's charter agreement was incorporated into Manhattan Charter School II's ("MCS II") amended and restated charter agreement (see below).

MCS II was incorporated on September 13, 2011 and was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents. The Board of Regents approved and issued renewals to its amended and restated charter for an additional five-year term expiring July 31, 2027.

The School's mission is to prepare its students to achieve high academic levels in the four core subject areas, communicate effectively in verbal, mathematical and musical languages, and to apply critical thinking processes and ethical standards to learning, living and problem solving. The School provided education to approximately 314 students in kindergarten through fifth grade during the 2021-2022 academic year.

MCS and MCS II merged into a single not-for-profit legal entity under MCS II, which serves as the sole surviving educational corporation. The plan of merger was approved by the State University of New York Charter School Committee on February 25, 2016, and became effective for financial purposes on July 1, 2016. MCS II changed its name to Manhattan Charter Schools and each school is authorized by the Charter Schools Institute of the State University of New York under MCS II's provisional charter, as amended to effect the merger. MCS was dissolved in conjunction with this merger.

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

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

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.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Net 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. The Board of Trustees has designated \$1,320,000 for long-term educational planning, organizational growth or facilities planning.

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.

Fair Value Measurements

The School follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

The money market fund is reported using level 1 inputs from the fair value hierarchy as reported on the last business day of the fiscal year. Certificates of deposit are valued at the amounts deposited plus accrued interest, and are measured at estimated market value.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

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

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.

Restricted Cash

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

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

| | 2022 | 2021 |
|-----------------|---------------------|---------------------|
| Cash | \$ 7,097,403 | \$ 6,560,399 |
| Restricted cash | 150,825 | 150,445 |
| | <u>\$ 7,248,228</u> | <u>\$ 6,710,844</u> |

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

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

| | |
|-------------------------|-------------|
| Computers and equipment | 3 - 5 years |
| Furniture and fixtures | 7 years |
| Software | 3 years |

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount 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, 2022 and 2021.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

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

Refundable Advances

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

Revenue and Support

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

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as 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 Recruiting

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Marketing and recruiting expense for the years ended June 30, 2022 and 2021 was \$91,091 and \$107,446.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental and other sources that include contributions revenue, and other activities considered to be a more non-recurring nature.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

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

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, 2019.

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 28, 2022.

3. Investments

The School's investments at June 30 consist of the following:

| | 2022 | | 2021 | |
|-------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Market | Cost | Market |
| Certificates of deposit | \$ 1,320,000 | \$ 1,328,704 | \$ 1,320,000 | \$ 1,323,383 |
| Money market fund | - | - | 61,011 | 61,011 |
| | <u>\$ 1,320,000</u> | <u>\$ 1,328,704</u> | <u>\$ 1,381,011</u> | <u>\$ 1,384,394</u> |

Net investment income consist of the following for the years ended June 30:

| | 2022 | 2021 |
|----------------------------------|-----------------|-----------------|
| Interest | \$ 5,381 | \$ 10,297 |
| Unrealized (loss) on investments | (30) | (6,433) |
| | <u>\$ 5,351</u> | <u>\$ 3,864</u> |

4. 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.

Manhattan Charter Schools

Notes to Financial Statements June 30, 2022 and 2021

5. Property and Equipment

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

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|--------------------|
| Computers and equipment | \$ 745,171 | \$ 1,071,253 |
| Furniture and fixtures | 200,800 | 223,331 |
| Leasehold improvements | 180,662 | 180,662 |
| Software | <u>500</u> | <u>22,025</u> |
| | 1,127,133 | 1,497,271 |
| Accumulated depreciation and amortization | <u>(893,707)</u> | <u>(1,263,863)</u> |
| | <u>\$ 233,426</u> | <u>\$ 233,408</u> |

Assets with a cost basis and accumulated depreciation of \$462,767 were disposed of during the year ended June 30, 2022. There were no disposals during the year ended June 30, 2021.

6. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 4% of the participant's annual compensation. Employee match for the years ended June 30, 2022 and 2021 amounted to \$113,285 and \$99,020.

7. 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:

| | | |
|---|---------------------|---------------------|
| Financial Assets at year end: | <u>2022</u> | <u>2021</u> |
| Cash | \$ 7,097,403 | \$ 6,560,399 |
| Investments | 1,328,704 | 1,384,394 |
| Grants and contracts receivable | <u>514,877</u> | <u>301,141</u> |
| Total Financial Assets | <u>8,940,984</u> | <u>8,245,934</u> |
| Less amounts unavailable for general expenditure: | | |
| Net assets with donor restrictions | 2,825 | 3,153 |
| Board designated net assets | <u>1,320,000</u> | <u>1,320,000</u> |
| | <u>1,322,825</u> | <u>1,323,153</u> |
| | <u>\$ 7,618,159</u> | <u>\$ 6,922,781</u> |

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

7. Liquidity and Availability of Financial Assets (continued)

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 highly liquid securities. The Board of Trustees has designated net assets without donor restrictions that could be drawn upon through board resolution and can be made available for current operations, unbudgeted expenses, and unanticipated loss in funding. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see note 9).

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash on deposit and investments 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, 2022 and 2021, approximately \$7,000,000 and \$6,460,000 of cash and investments were maintained with an institution in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For each of the years ended June 30, 2022 and 2021, the School received approximately 87% and 94% of 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.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 consist of grants restricted for musical education.

Net assets for the year ended June 30, 2022 were released from donor restrictions by satisfying the purpose specified by donors for musical education, literacy software and technology. There were no assets released from restrictions for the year ended June 30, 2021.

11. 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.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2022 and 2021

12. Risks and Uncertainties

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

Manhattan Charter Schools

Supplementary Information

June 30, 2022

Manhattan Charter Schools

Schedule of Activities by School

Year Ended June 30, 2022

(with summarized totals for the year ended June 30, 2021)

| | Manhattan Charter School | | | Manhattan Charter School II | | | Manhattan Charter Schools | | | |
|---|-------------------------------|----------------------------|--------------|-------------------------------|----------------------------|----------|---------------------------|--------------|--------------|--------------|
| | 2022 | | 2021 | 2022 | | 2021 | 2022 | 2021 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | Total | Total | | |
| OPERATING REVENUE | | | | | | | | | | |
| State and local per pupil operating revenue | | | | | | | | | | |
| General education | \$ 3,433,429 | \$ - | \$ 3,433,429 | \$ 3,678,221 | \$ 1,857,287 | \$ - | \$ 1,857,287 | \$ 2,279,152 | \$ 5,290,716 | \$ 5,957,373 |
| Special education | 485,317 | - | 485,317 | 474,293 | 346,423 | - | 346,423 | 383,859 | 831,740 | 858,152 |
| Federal grants | 400,135 | - | 400,135 | 175,986 | 281,917 | - | 281,917 | 122,202 | 682,052 | 298,188 |
| Federal E-Rate and IDEA | 79,249 | - | 79,249 | 76,505 | 69,911 | - | 69,911 | 58,190 | 149,160 | 134,695 |
| State grants | 18,119 | - | 18,119 | 18,450 | 11,028 | - | 11,028 | 10,415 | 29,147 | 28,865 |
| Total Operating Revenue | 4,416,249 | - | 4,416,249 | 4,423,455 | 2,566,566 | - | 2,566,566 | 2,853,818 | 6,982,815 | 7,277,273 |
| EXPENSES | | | | | | | | | | |
| Program Services | | | | | | | | | | |
| Regular education | 2,991,894 | - | 2,991,894 | 2,824,838 | 1,528,057 | - | 1,528,057 | 1,665,252 | 4,519,951 | 4,490,090 |
| Special education | 748,194 | - | 748,194 | 800,421 | 618,504 | - | 618,504 | 493,080 | 1,366,698 | 1,293,501 |
| Total Program Services | 3,740,088 | - | 3,740,088 | 3,625,259 | 2,146,561 | - | 2,146,561 | 2,158,332 | 5,886,649 | 5,783,591 |
| Supporting Services | | | | | | | | | | |
| Management and general | 392,979 | - | 392,979 | 399,562 | 330,732 | - | 330,732 | 327,183 | 723,711 | 726,745 |
| Fundraising | 6,982 | - | 6,982 | 10,154 | 6,908 | - | 6,908 | 3,374 | 13,890 | 13,528 |
| Total Expenses | 4,140,049 | - | 4,140,049 | 4,034,975 | 2,484,201 | - | 2,484,201 | 2,488,889 | 6,624,250 | 6,523,864 |
| Surplus from Operations | 276,200 | - | 276,200 | 388,480 | 82,365 | - | 82,365 | 364,929 | 358,565 | 753,409 |
| SUPPORT AND OTHER REVENUE | | | | | | | | | | |
| Contributions | 22,947 | 13,680 | 36,627 | 18,257 | 161 | - | 161 | - | 36,788 | 18,257 |
| Investment income, net | 6,382 | - | 6,382 | 5,415 | 193 | - | 193 | 236 | 6,575 | 5,651 |
| Other revenue | - | - | - | 12,620 | - | - | - | - | - | 12,620 |
| Net assets released from restrictions | 13,680 | (13,680) | - | - | 328 | (328) | - | - | - | - |
| Total Support and Other Revenue | 43,009 | - | 43,009 | 36,292 | 682 | (328) | 354 | 236 | 43,363 | 36,528 |
| Change in Net Assets | 319,209 | - | 319,209 | 424,772 | 83,047 | (328) | 82,719 | 365,165 | 401,928 | 789,937 |
| NET ASSETS | | | | | | | | | | |
| Beginning of year | 6,338,826 | - | 6,338,826 | 5,914,054 | 1,828,891 | 3,153 | 1,832,044 | 1,466,879 | 8,170,870 | 7,380,933 |
| End of year | \$ 6,658,035 | \$ - | \$ 6,658,035 | \$ 6,338,826 | \$ 1,911,938 | \$ 2,825 | \$ 1,914,763 | \$ 1,832,044 | \$ 8,572,798 | \$ 8,170,870 |

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School
 Year Ended June 30, 2022
 (with summarized totals for the year ended June 30, 2021)

| | No. of Positions | 2022 | | | | | 2021 | |
|--|---------------------|----------------------|----------------------|---------------------|---------------------------|-----------------|---------------------|---------------------|
| | | Program Services | | | Supporting Services | | Total | Total |
| | | Regular Education | Special Education | Total | Management and General | Fundraising | | |
| Personnel Services Costs | | | | | | | | |
| Administrative staff personnel | 6 | \$ 331,699 | \$ 98,720 | \$ 430,419 | \$ 176,941 | \$ 5,156 | \$ 612,516 | \$ 452,966 |
| Instructional personnel | 28 | 1,657,964 | 388,393 | 2,046,357 | - | - | 2,046,357 | 2,183,511 |
| Non-instructional personnel | 3 | 67,093 | 19,968 | 87,061 | - | - | 87,061 | 83,259 |
| Total Personnel Services Costs | <u>37</u> | <u>2,056,756</u> | <u>507,081</u> | <u>2,563,837</u> | <u>176,941</u> | <u>5,156</u> | <u>2,745,934</u> | <u>2,719,736</u> |
| Employee benefits and payroll taxes | | 399,585 | 96,533 | 496,118 | 37,715 | 1,099 | 534,932 | \$ 544,361 |
| Retirement | | 58,047 | 14,023 | 72,070 | 5,479 | 160 | 77,709 | 71,840 |
| Legal services | | - | - | - | 5,327 | - | 5,327 | 14,155 |
| Accounting and auditing services | | - | - | - | 148,048 | - | 148,048 | 130,442 |
| Other professional and consulting services | | 70,520 | 20,468 | 90,988 | 876 | 26 | 91,890 | 59,526 |
| Repairs and maintenance | | 2,653 | 641 | 3,294 | 250 | 7 | 3,551 | 8,935 |
| Insurance | | 32,799 | 7,924 | 40,723 | 3,096 | 90 | 43,909 | 40,355 |
| Supplies and materials | | 70,586 | 21,008 | 91,594 | - | - | 91,594 | 89,090 |
| Equipment and furnishings | | 6,112 | 1,477 | 7,589 | 577 | 17 | 8,183 | 144 |
| Staff development | | 79,525 | 23,296 | 102,821 | 627 | 18 | 103,466 | 42,313 |
| Marketing and recruiting | | 33,629 | 10,009 | 43,638 | - | - | 43,638 | 53,865 |
| Technology | | 75,112 | 18,146 | 93,258 | 7,089 | 207 | 100,554 | 122,425 |
| Student service | | 32,895 | 9,790 | 42,685 | - | - | 42,685 | 29,925 |
| Office expense | | 16,778 | 4,053 | 20,831 | 1,584 | 46 | 22,461 | 25,589 |
| Depreciation and amortization | | 45,975 | 11,107 | 57,082 | 4,339 | 126 | 61,547 | 72,443 |
| Miscellaneous | | 10,922 | 2,638 | 13,560 | 1,031 | 30 | 14,621 | 9,831 |
| Total Expenses | | <u>\$ 2,991,894</u> | <u>\$ 748,194</u> | <u>\$ 3,740,088</u> | <u>\$ 392,979</u> | <u>\$ 6,982</u> | <u>\$ 4,140,049</u> | <u>\$ 4,034,975</u> |

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School II
 Year Ended June 30, 2022
 (with summarized totals for the year ended June 30, 2021)

| | 2022 | | | | | | 2021 |
|--|---------------------|----------------------|----------------------|---------------------|---------------------------|-----------------|---------------------|
| | No. of Positions | Program Services | | | Supporting Services | | Total |
| | | Regular Education | Special Education | Total | Management and General | Fundraising | |
| Personnel Services Costs | | | | | | | |
| Administrative staff personnel | 5 | \$ 282,030 | \$ 146,278 | \$ 428,308 | \$ 145,573 | \$ 5,156 | \$ 579,037 |
| Instructional personnel | 14 | 727,803 | 247,612 | 975,415 | - | - | 975,415 |
| Non-instructional personnel | - | - | - | - | - | - | - |
| Total Personnel Services Costs | <u>19</u> | <u>1,009,833</u> | <u>393,890</u> | <u>1,403,723</u> | <u>145,573</u> | <u>5,156</u> | <u>1,554,452</u> |
| Employee benefits and payroll taxes | | 163,449 | 62,803 | 226,252 | 24,628 | 872 | 251,752 |
| Retirement | | 23,098 | 8,875 | 31,973 | 3,480 | 123 | 35,576 |
| Legal services | | - | - | - | 2,927 | - | 2,927 |
| Accounting and auditing services | | - | - | - | 132,725 | - | 132,725 |
| Other professional and consulting services | | 87,269 | 43,286 | 130,555 | 2,216 | 78 | 132,849 |
| Repairs and maintenance | | 1,929 | 741 | 2,670 | 291 | 10 | 2,971 |
| Insurance | | 25,945 | 9,969 | 35,914 | 3,909 | 138 | 39,961 |
| Supplies and materials | | 34,748 | 18,023 | 52,771 | - | - | 52,771 |
| Equipment and furnishings | | - | - | - | - | - | - |
| Staff development | | 33,187 | 16,580 | 49,767 | 709 | 25 | 50,501 |
| Marketing and recruiting | | 31,247 | 16,206 | 47,453 | - | - | 47,453 |
| Technology | | 61,930 | 23,795 | 85,725 | 9,332 | 330 | 95,387 |
| Student service | | 22,622 | 11,733 | 34,355 | - | - | 34,355 |
| Office expense | | 6,493 | 2,495 | 8,988 | 978 | 35 | 10,001 |
| Depreciation and amortization | | 20,168 | 7,749 | 27,917 | 3,039 | 108 | 31,064 |
| Miscellaneous | | 6,139 | 2,359 | 8,498 | 925 | 33 | 9,456 |
| Total Expenses | | <u>\$ 1,528,057</u> | <u>\$ 618,504</u> | <u>\$ 2,146,561</u> | <u>\$ 330,732</u> | <u>\$ 6,908</u> | <u>\$ 2,484,201</u> |
| | | | | | | | <u>\$ 2,488,889</u> |



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
Manhattan Charter Schools**

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 Manhattan Charter Schools (The "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 28, 2022.

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 may exist that have not been 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 28, 2022