

ROCHESTER PREP CHARTER SCHOOLS

ROCHESTER, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2024 (Consolidated)

(With Comparative Totals for 2023 (Unconsolidated))



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rochester Prep Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Rochester Prep Charter Schools and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rochester Prep Charter Schools and its subsidiary as of June 30, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rochester Prep Charter Schools and its subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Schools' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Rochester Prep 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rochester Prep 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 Summarized Comparative Information

We have previously audited Rochester Prep Charter Schools June 30, 2023 (unconsolidated) financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024 on our consideration of Rochester Prep 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 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* and should be considered in assessing the results of our audit.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 24, 2024

ROCHESTER PREP CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

<u>ASSETS</u>	June 30,	
	2024	2023
	Consolidated	Unconsolidated
<u>CURRENT ASSETS</u>		
Cash	\$ 5,243,568	\$ 1,260,812
Money market funds	10,697,925	1,063,952
Investments	5,463,550	13,746,425
Grants and contracts receivable	2,716,767	4,787,864
Accounts receivable	355,457	32,053
Prepaid expenses and other current assets	1,019,247	1,081,185
TOTAL CURRENT ASSETS	25,496,514	21,972,291
 <u>PROPERTY AND EQUIPMENT</u> , net of accumulated depreciation of \$14,324,795 and \$12,971,462, respectively		
	8,134,805	6,535,344
 <u>MONEY MARKET FUNDS -</u> <u>DESIGNATED FOR CAPITAL PROJECTS</u>		
	5,500,000	7,500,000
 <u>OTHER ASSETS</u>		
Right-of-use assets - operating	46,368,190	48,006,179
Right-of-use assets - financing	1,968,921	-
Escrow account	261,580	248,373
	48,598,691	48,254,552
TOTAL ASSETS	\$ 87,730,010	\$ 84,262,187
 <u>LIABILITIES AND NET ASSETS</u>		
 <u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,388,336	\$ 1,743,459
Current portion of lease liabilities - operating	1,173,382	1,398,954
Current portion of lease liabilities - financing	168,272	-
TOTAL CURRENT LIABILITIES	2,729,990	3,142,413
 <u>NONCURRENT LIABILITIES</u>		
Long-term lease liabilities - operating	45,214,051	46,619,846
Long-term lease liabilities - financing	1,832,893	-
TOTAL LIABILITIES	49,776,934	49,762,259
 <u>NET ASSETS</u>		
Without donor restrictions:		
Undesignated	32,453,076	26,999,928
Designated for capital projects	5,500,000	7,500,000
TOTAL NET ASSETS	37,953,076	34,499,928
TOTAL LIABILITIES AND NET ASSETS	\$ 87,730,010	\$ 84,262,187

The accompanying notes are an integral part of the financial statements.

ROCHESTER PREP CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

	June 30,	
	2024	2023
	Consolidated	Unconsolidated
Revenue, gains and other support:		
Public school district		
Resident student enrollment	\$ 40,587,327	\$ 37,395,889
Students with disabilities	1,834,736	1,364,580
Grants and contracts:		
Federal - Title and IDEA	2,438,971	2,714,061
Federal - ESSER	5,852,872	3,913,878
Federal - Other	172,344	377,186
Food service/child nutrition program	3,264,360	3,017,140
TOTAL REVENUE, GAINS AND OTHER SUPPORT	54,150,610	48,782,734
Expenses:		
Program services:		
Regular education	45,714,202	43,792,335
Special education	2,030,191	1,600,414
TOTAL PROGRAM SERVICES	47,744,393	45,392,749
Management and general	4,941,675	4,324,190
TOTAL OPERATING EXPENSES	52,686,068	49,716,939
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	1,464,542	(934,205)
Support and other revenue:		
Contributions:		
Foundations	122,901	135,942
Individuals	123,623	136,740
Corporations	355,721	393,465
Interest income	1,082,494	714,648
Miscellaneous income	303,867	10,190
TOTAL SUPPORT AND OTHER REVENUE	1,988,606	1,390,985
CHANGE IN NET ASSETS	3,453,148	456,780
Net assets without donor restrictions at beginning of year	34,499,928	34,043,148
NET ASSETS AT END OF YEAR	\$ 37,953,076	\$ 34,499,928

The accompanying notes are an integral part of the financial statements.

ROCHESTER PREP CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

	No. of Positions	June 30,						
		2024			2023			
		Program Services		Total	Support Services			
Regular education	Special education	Management and General	Total		Total			
						Consolidated	Unconsolidated	
Personnel services costs:								
Administrative staff personnel	63	\$ 3,314,814	\$ 147,617	\$ 3,462,431	\$ 2,020,070	\$ 5,482,501	\$ 5,407,393	
Instructional personnel	313	15,412,733	675,232	16,087,965	-	16,087,965	14,237,712	
Non-instructional personnel	<u>2</u>	<u>95,522</u>	<u>4,002</u>	<u>99,524</u>	<u>-</u>	<u>99,524</u>	<u>130,539</u>	
Total salaries and staff	378	18,823,069	826,851	19,649,920	2,020,070	21,669,990	19,775,644	
Fringe benefits and payroll taxes		3,733,971	165,105	3,899,076	380,533	4,279,609	4,079,649	
Retirement		532,625	23,781	556,406	53,403	609,809	593,945	
Management fees		4,862,021	210,474	5,072,495	896,503	5,968,998	5,540,211	
Legal service		-	-	-	33,054	33,054	38,049	
Accounting and audit services		-	-	-	66,899	66,899	70,800	
Other professional and consulting services		497,234	24,388	521,622	-	521,622	331,142	
Building and land rent		2,047,852	100,054	2,147,906	-	2,147,906	2,394,466	
Repairs and maintenance		2,441,494	107,959	2,549,453	-	2,549,453	2,423,100	
Insurance		-	-	-	564,619	564,619	426,832	
Utilities		454,464	21,798	476,262	174,537	650,799	785,603	
Supplies and materials		1,064,914	47,662	1,112,576	5,907	1,118,483	955,087	
Equipment/Furnishings		333,201	14,177	347,378	57,075	404,453	560,439	
Professional development		717,040	31,288	748,328	-	748,328	555,606	
Marketing and recruitment		159,344	7,533	166,877	-	166,877	234,854	
Technology		1,903,442	82,595	1,986,037	189,961	2,175,998	2,381,353	
Food service		2,862,154	125,415	2,987,569	-	2,987,569	2,654,886	
Student services		2,553,460	114,599	2,668,059	-	2,668,059	2,441,982	
Office expense		842,818	36,411	879,229	364,912	1,244,141	1,279,756	
Depreciation and amortization		1,442,491	69,619	1,512,110	17,808	1,529,918	1,611,465	
Other		<u>442,608</u>	<u>20,482</u>	<u>463,090</u>	<u>116,394</u>	<u>579,484</u>	<u>582,070</u>	
		<u>\$ 45,714,202</u>	<u>\$ 2,030,191</u>	<u>\$ 47,744,393</u>	<u>\$ 4,941,675</u>	<u>\$ 52,686,068</u>	<u>\$ 49,716,939</u>	

The accompanying notes are an integral part of the financial statements.

ROCHESTER PREP CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

	June 30,	
	2024	2023
	Consolidated	Unconsolidated
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 3,453,148	\$ 456,780
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,529,918	1,611,465
Accrued investment interest	(34,706)	(184,758)
Credit loss (recovery) expense	(40)	5,580
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	(323,364)	604,522
Grants and other receivables	2,071,097	1,160,704
Prepaid expenses and other current assets	61,938	(281,602)
Security deposits	-	9,407
Accounts payable and accrued expenses	(355,123)	(479,459)
Operating lease liabilities, net of right-of-use assets	6,622	12,621
Deferred revenue	-	(691,506)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	6,409,490	2,223,754
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of investments	(13,749,533)	(13,561,667)
Sale of investments	22,067,114	-
Purchases of property and equipment	(2,888,309)	(658,529)
Construction in progress	(64,485)	(627,812)
(Purchases) sale of money market funds, net	(7,633,973)	9,167,996
NET CASH USED FOR INVESTING ACTIVITIES	(2,269,186)	(5,680,012)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments on finance leases	(144,341)	-
NET CASH USED FOR FINANCING ACTIVITIES	(144,341)	-
NET INCREASE (DECREASE) IN CASH AND ESCROW ACCOUNT	3,995,963	(3,456,258)
Cash and escrow account at beginning of year	1,509,185	4,965,443
CASH AND ESCROW ACCOUNT AT END OF YEAR	\$ 5,505,148	\$ 1,509,185

ROCHESTER PREP CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

	June 30,	
	<u>2024</u>	<u>2023</u>
	Consolidated	Unconsolidated
Reconciliation of cash and cash in escrow account reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 5,243,568	\$ 1,260,812
Escrow account	<u>261,580</u>	<u>248,373</u>
Total cash and escrow account shown in the statement of cash flows	<u>\$ 5,505,148</u>	<u>\$ 1,509,185</u>
 <u>NON CASH INVESTING AND FINANCING ACTIVITIES</u>		
Right-of-use assets obtained in exchange for financing lease liabilities	<u>\$ 2,110,551</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Rochester Prep Charter Schools (the “Charter School”), a New York not-for-profit education corporation, together with its wholly owned subsidiary Northmark, LLC (the “Company”), (collectively, the “Organization”), prepare all students to enter and succeed in college through effort, achievement and the content of their character. On June 27, 2006, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On February 18, 2014, the Charter School entered into an amended and restated renewal charter agreement which included the addition of Rochester Prep Charter School 3 through July 31, 2019. On January 26, 2016 the Charter School was granted a five year renewal for all schools through July 31, 2021. On October 6, 2020 the Charter School was granted a five year renewal for all schools through July 21, 2026.

The Charter School is the sole member of Northmark, LLC, a limited liability company organized and existing under the law of the State of Delaware. The purpose of the Company’s to further the educational and charitable purposes of the School and to engage in any lawful act, business or activities pursuant to the New York Real Property Law.

On January 3, 2024 the Organization changed the names of all three charters and the education corporation. The education corporation, True North Rochester Preparatory Charter School changed to Rochester Prep Charter Schools. The charter, True North Rochester Preparatory Charter School changed to Rochester Prep Charter School 1. The charter, True North Rochester Preparatory Charter School – West Campus changed to Rochester Prep Charter School 2. The charter, True North Rochester Preparatory Charter School 3 changed to Rochester Prep Charter School 3.

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principals of consolidation

The consolidated financial statements reflect the accounts and operations of the Charter School and its wholly owned subsidiary. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)

(With Comparative Totals for 2023 (Unconsolidated))

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at June 30, 2024 and 2023.

Net Assets Without Donor Restrictions – The net assets over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established by the Organization. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment. See Note J.

Revenue recognition

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization's public school district resident student enrollment and student with disabilities revenue qualifies as exchange transactions and the revenues are recognized over time.

Public school district revenue

The Organization recognizes revenue as educational programming is provided to students throughout the year. The Organization earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Organization and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Organization to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The following table summarizes accounts receivable from educational programing at their respective statement of financial position dates:

	<u>June 30,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 331,947	\$ 32,616	\$ 207,426

Contributions

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying consolidated statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was no deferred revenue at June 30, 2024 or June 30, 2023. The Organization typically fully expends their grants within the fiscal year with only minor amounts carrying forward to future periods.

Cash

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to \$250,000. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)

(With Comparative Totals for 2023 (Unconsolidated))

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Cash management

The cash management program is maintained in accordance with the Organization's Cash Management and Investment Policy. The goals of this policy are the preservation of principal, the maintenance of liquidity, and to obtain a competitive return on investment subject to prevailing market conditions and safe and sound investment practices. The policy was adopted by the Board in March 2019, and as of June 30, 2024 and 2023, all funds are held in treasuries or money market funds. As the policy is put into place, the funds will be separated into the following three portfolios:

- The operating portfolio will be invested in short-term instruments to fund the daily operating needs of the Organization and fund any capital outlays anticipated in the next 2 months. This portfolio will consist of no less than two months' worth of operating expenses and shall be continuously invested in readily available funds such as money market funds or bank deposits.
- The reserve portfolio, if sufficient funds are available, will be invested in short-term instruments to fund daily operating needs and capital outlays within the next twelve months. Assets within this portfolio will be permitted to have investments maturing in one year or less.
- The strategic portfolio, if sufficient funds are available, will be invested to fund operating needs anticipated over the next three years. This portfolio allows for investments with stated maturities of up to three years from the purchase date. Maturities are to be laddered to ensure flexibility of and access to funds in this portfolio.

Grants, contracts and accounts receivables

At each fiscal year end, the Charter School evaluates the need for an expected allowance for credit losses for all outstanding balances that fall under ASU 2014-09. As necessary, the allowance for credit losses is updated at fiscal year end to reflect any changes in credit risk since the receivable was initially recorded. The allowance for credit loss is calculated on a pooled basis where similar risk characteristics exist.

The Charter School uses historical loss data as a starting point to estimate expected credit losses, given consistent revenue sources since its inception. There were recoveries of \$40 for the year ended June 30, 2024 and write-offs of \$5,580 for the year ended June 30, 2023.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

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.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Escrow account

The Organization maintains cash in an escrow account in accordance with the terms of their charter agreement. The escrow is restricted to fund legal and other costs in the event of dissolution of the Organization.

Leases

The Organization leases, buildings and equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the accompanying statement of financial position. Finance leases are included in financing lease right-of-use (ROU) assets, other current liabilities, and other long-term liabilities on the accompany consolidated statement of financial position. There were no finance leases at June 30, 2023.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term, and for finance leases, as amortization expense and interest expense.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files tax returns in various jurisdictions and is subject to potential examination by taxing authorities. In addition, the Company, is a single member LLC and is disregarded for tax purposes. The Organization's current and prior three years tax returns remain subject to review by taxing authorities. Management of the Organization believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Organization receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. In addition, the Organization received donated transportation services from certain local school districts as part of their responsibilities to the students residing in their districts.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2023 (Unconsolidated)

The consolidated financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023 (unconsolidated), from which the summarized information was derived.

Student services

Student services include various expenses including transportation, student/parent food, assignment services, student uniforms and other student related expenses.

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Adoption of new accounting pronouncement – credit losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were receivables.

The Organization adopted the standard effective July 1, 2023. The impact of adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Reclassifications

Certain prior year amounts have been reclassified to conform with the present year presentation.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 24, 2024, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note B.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)

(With Comparative Totals for 2023 (Unconsolidated))

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. (“USI”), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Organization. In the amended agreement dated July 1, 2019, the Organization agreed to a five-year term which is renewable yearly following the initial term. Under the agreement, the Organization pays USI a service fee of 13.5% of all recurring public revenue less facilities expenses for all schools. Recurring public revenue is defined as annual public entitlement aid including core and tuition which includes general, SPED and State special funding, and all ESSA funding which includes Title I, Title IIA, IID, III, IV, V and IDEA funding. Facilities expense includes building expenses (leases, taxes), utilities, maintenance and furniture and fixtures, and excludes building related expenditures which are capitalized and amortized/depreciated. The agreement was renewed as of July 1, 2024 for a five-year term. Under a separate board resolution, the Organization will pay USI its 12.28% proportionate share of the total incremental costs incurred by USI to address the learning loss as a result of the pandemic. The additional expense due to learning loss was charged through June 30, 2024.

As part of their relationship, USI has verbally committed to supporting the Organization’s Capital Campaign. The amount of the verbal commitment at June 30, 2024 is approximately \$367,000.

The fees incurred for the years ended June 30, 2024 and 2023 was \$5,968,998 and \$5,540,211 respectively. At June 30, 2024 approximately \$21,600 was included in accounts receivable relating to USI, primarily from grants passed through USI. At June 30, 2023, no amount of accounts receivable was due from USI. At June 30, 2024 and 2023, approximately \$523,000 and \$572,000, respectively, was included in accounts payable related to this fee and other expenses incurred by USI on behalf of the Organization, due to USI.

The Organization leases its Rochester Prep Middle School facilities from True North Rochester Real Estate LLC, a wholly owned subsidiary of Rochester Prep Foundation which is an entity controlled by USI (Brooks Avenue location). The lease agreement expired in July 2011 and continued on a month to month basis. Rent for this lease was calculated based on a formula of certain expenses of the landlord. Effective July 1, 2023, the Organization entered into new lease agreements with True North Rochester Real Estate LLC. The lease agreement is for the term of July 1, 2023, through June 30, 2028 and is renewable for six five-year periods. Monthly payments start at \$4,000 and increase 2% every year. See Note F for additional lease information.

Effective July 1, 2020, the Organization entered into new lease agreements with True North Jacobs Street, LLC, True North Rochester Real Estate Ames Street, LLC, True North Rochester Mark Street, LLC, Rochester Chili Avenue, LLC, and True North Andrews Street, LLC. The new lease agreements replace the existing agreements, have a start date of July 1, 2020 and have a forty-year term, expiring on June 30, 2060. Two five-year extensions are available upon expiration of the initial term. As part of a bond financing arrangement, True North Jacobs Street, LLC, True North Rochester Real Estate Ames Street, LLC, True North Rochester Mark Street, LLC, Rochester Chili Avenue, LLC, and True North Andrews Street, LLC assigned the leases and the related cash flows to Monroe County Industrial Development Corporation who also holds a mortgage on the properties. Further, the lease agreements contain both financial and non-financial covenants which must be met by the Organization. Bond proceeds of approximately \$30,000,000 were utilized for the acquisition of a new facility to house the high school as well as for renovations to this property and existing properties as well as refinancing existing mortgages. See Note F for additional lease information.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)

(With Comparative Totals for 2023 (Unconsolidated))

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

The Organization was granted a purchase option in the new lease agreements which is calculated as 87.25% of all remaining rental payments discounted to the present value using a rate of 2.93%. The intent of the calculation, as acknowledged by all parties, is to have the price of the purchase option approximate the outstanding principal of the bond. All related expenditures of the bond settlement and other expenses related to the properties would also be added to the purchase price.

Monthly payments through June 2060 are as follows:

True North Jacobs Street, LLC	\$ 7,565
True North Rochester Real Estate Ames Street, LLC	14,442
True North Rochester Mark Street, LLC	121,551
Rochester Chili Avenue, LLC	11,175
True North Andrews Street, LLC	<u>17,193</u>
Total required monthly payment	<u>\$ 171,926</u>

NOTE C: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
	Consolidated	Unconsolidated
Cash	\$ 5,243,568	\$ 1,260,812
Money market funds	10,697,925	1,063,952
Investments	5,463,550	13,746,425
Grants and contracts receivable	2,716,767	4,787,864
Accounts receivable	<u>355,457</u>	<u>32,053</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 24,477,267</u>	<u>\$ 20,891,106</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's main source of liquidity is its cash accounts. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of teaching, and public service, as well as the conduct of services undertaken to support those activities, to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2024 and 2023.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)

(With Comparative Totals for 2023 (Unconsolidated))

NOTE D: FAIR VALUE MEASUREMENTS

Accounting principles establishes a frame work for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 or 2023.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are actively traded open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to report their daily net asset value and to transact at that price.

U.S. Treasuries: Valued at the daily closing price as reported by the broker.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

NOTE D: FAIR VALUE MEASUREMENTS, Cont'd

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024 and 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2024</u>				
Mutual funds:				
Money market funds	\$ 10,697,925	\$ -	\$ -	\$ 10,697,925
Money market funds designated for capital projects	<u>5,500,000</u>	<u>-</u>	<u>-</u>	<u>5,500,000</u>
Total mutual funds	16,197,925	-	-	16,197,925
U.S. Treasuries maturing from August 8, 2024 through August 22, 2024	<u>5,463,550</u>	<u>-</u>	<u>-</u>	<u>5,463,550</u>
Total assets at fair value	<u>\$ 21,661,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,661,475</u>
<u>June 30, 2023</u>				
Mutual funds:				
Money market funds	\$ 1,063,952	\$ -	\$ -	\$ 1,063,952
Money market funds designated for capital projects	<u>7,500,000</u>	<u>-</u>	<u>-</u>	<u>7,500,000</u>
Total mutual funds	8,563,952	-	-	8,563,952
U.S. Treasuries maturing from August 1, 2023 through January 2024	<u>13,746,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 22,310,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,563,952</u>

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
	<u>Consolidated</u>	<u>Unconsolidated</u>
Furniture and fixtures	\$ 1,243,420	\$ 1,220,921
Computer equipment and software	6,108,311	5,910,756
Leasehold improvements	13,064,139	11,747,317
Land	1,351,433	-
Construction in process	<u>692,297</u>	<u>627,812</u>
	22,459,600	19,506,806
Less accumulated depreciation and amortization	<u>14,324,795</u>	<u>12,971,462</u>
	<u>\$ 8,134,805</u>	<u>\$ 6,535,344</u>

Construction in progress at June 30, 2024 and 2023 consists of costs related to multiple improvement projects. No depreciation will be taken until these assets are placed in service.

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

NOTE F: LEASES

The Organization has operating leases for buildings and copying machines. The leases have various remaining lease terms ranging from 1 years to 36 years, through June 30, 2060. Total lease expense for the years ended June 30, 2024 and 2023 was approximately \$2,200,000 and \$2,400,000, respectively. In addition, the organization has a financing lease for a building with renewal options, expected to be exercised, through 2058.

A summary of lease right-of-use assets and liabilities are as follows:

		<u>Statement of Financial</u>	<u>June 30,</u>	
		<u>Position Classification</u>	<u>2024</u>	<u>2023</u>
			<small>Consolidated</small>	<small>Unconsolidated</small>
<u>Assets</u>				
Other assets	Right-of-use asset - operating		\$ 46,368,190	\$ 48,006,179
Other assets	Right-of-use asset - financing		<u>1,968,921</u>	<u>-</u>
			<u>\$ 48,337,111</u>	<u>\$ 48,006,179</u>
 <u>Liabilities</u>				
Current liabilities	Current portion of lease liabilities - operating		\$ 1,173,382	\$ 1,398,954
Current liabilities	Current portion of lease liabilities - financing		168,272	-
Other liabilities	Long-term lease liabilities - operating		45,214,051	46,619,846
Other liabilities	Long-term lease liabilities - financing		<u>1,832,893</u>	<u>-</u>
			<u>\$ 48,388,598</u>	<u>\$ 48,018,800</u>

The components of lease expense were as follows:

		<u>Year ended June 30,</u>	
		<u>2024</u>	<u>2023</u>
		<small>Consolidated</small>	<small>Unconsolidated</small>
Finance lease cost:			
	Amortization of right-of-use assets	\$ 176,585	\$ -
	Interest on lease liabilities	<u>75,743</u>	<u>-</u>
	Total finance lease costs	252,328	-
Operating lease cost:			
		<u>2,698,388</u>	<u>2,783,403</u>
	Total lease cost	<u>\$ 2,950,716</u>	<u>\$ 2,783,403</u>

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

NOTE F: LEASES, Cont'd

As of June 30, 2024, minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

	Finance leases	Operating leases
2025	\$ 244,676	\$ 2,589,702
2026	245,655	2,520,456
2027	246,654	2,437,982
2028	247,673	2,260,998
2029	125,557	2,114,250
Thereafter	2,096,941	64,059,104
Total lease payments	3,207,156	75,982,492
Less: Interest	(1,205,991)	(29,595,059)
Present value of lease liabilities	\$ 2,001,165	\$ 46,387,433

Supplemental information

	Year ended June 30,	
	2024	2023
	Consolidated	Unconsolidated
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 69,056	\$ -
Financing cash flows from finance leases	116,073	-
Operating cash flows from operating leases	2,695,684	2,541,760
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):		
Financing leases	2,110,551	-
Operating leases	-	49,070,825
Weighted-average remaining lease term:		
Financing leases	22.45 years	-
Operating leases	34.88 years	35.23 years
Weighted-average discount rate:		
Financing leases	3.97%	0.00%
Operating leases	3.10%	3.10%

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

NOTE G: RETIREMENT PLAN

The Organization participates in a defined contribution 403(b) plan covering most employees through a USI plan. For employees who have less than 2 years of service, the Organization matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. For employees who have 2 to 3 years of service, the Organization will match up to the lesser of 4% of gross payroll or \$4,000. For employees who have 4 years of service or more, the Organization will match up to the lesser of 5% of gross payroll or \$5,000. The Organization's total contribution to the Plan for the years ended June 30, 2024 and 2023 approximated \$610,000 and \$594,000, respectively.

NOTE H: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Organization. Management is of the opinion that such 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.

NOTE I: CONCENTRATIONS

At June 30, 2024 and 2023, approximately 100% and 95%, respectively, of grants and contracts receivable are due from federal programs . In addition at June 30, 2024, 47% of accounts receivables are due from one school district.

During the years ended June 30, 2024 and 2023, 78% and 79%, respectively, of total revenue, gains and other support came from per-pupil funding provided by New York State through the school districts in which the students reside. The per-pupil rate is set annually by the state based on the school district in which the Organization's students are located.

NOTE J: NET ASSETS

Net assets are as follows:

	June 30,	
	2024	2023
	Consolidated	Unconsolidated
Undesignated	\$ 24,318,271	\$ 20,464,584
Designated for capital projects	5,500,000	7,500,000
Invested in property and equipment	8,134,805	6,535,344
	<u>\$ 37,953,076</u>	<u>\$ 34,499,928</u>

ROCHESTER PREP CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2024 (Consolidated)
(With Comparative Totals for 2023 (Unconsolidated))

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Organization has recognized \$5,852,872 and \$3,913,878 of revenue relative to ESSER grants during the years ended June 30, 2024 and 2023, respectively. The Organization has no ESSER grants still available through September 30, 2024 as of June 30, 2024.

NOTE M: ROCHESTER PREP MIDDLE SCHOOL

In August 2021, Rochester Prep Middle School (MS3) opened, serving grade 5. By August 2024 the school will expand to serve grades 5-8.

NOTE N: NORTHMARK, LLC

During the year ended June 30, 2023, the Organization formed and was the sole member of Northmark, LLC, a Delaware tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The purpose of Northmark, LLC is to hold title of real property. On January 25, 2023 the Organization approved funding Northmark, LLC with up to \$2,000,000 in \$500,000 tranches upon request. As of June 30, 2024, all amounts have been funded. The funded amounts are eliminated in the consolidated financial statements.

ROCHESTER PREP CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Rochester Prep Charter Schools

We have audited the consolidated financial statements of Rochester Prep Charter Schools as of and for the year ended June 30, 2024, and we have issued our report thereon dated October 24, 2024, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2024 consolidated financial statements as a whole. The 2024 consolidated financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2024 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 2024 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 2024 consolidated financial statements or to the 2024 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 financial statements for the year ended June 30, 2024, as a whole.

We have also audited the financial statements of Rochester Prep Charter Schools as of and for the year ended June 30, 2023 (unconsolidated), and our report thereon dated October 16, 2023, expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2023 financial statements as a whole. The 2023 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2023 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 2023 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 2023 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 for the year ended June 30, 2023 (unconsolidated), as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 24, 2024

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ROCHESTER PREP CHARTER SCHOOLS

SCHEDULE OF ROCHESTER PREP CHARTER SCHOOL 1, 2 AND 3 ACTIVITIES

YEAR ENDED JUNE 30, 2024 (Consolidated)

	<u>Rochester Prep Charter School 1 *</u>	<u>Rochester Prep Charter School 2</u>	<u>Rochester Prep Charter School 3</u>	<u>Total</u>
Revenue, gains and other support:				
Public school district				
Resident student enrollment	\$ 18,646,772	\$ 11,292,414	\$ 10,648,141	\$ 40,587,327
Students with disabilities	1,009,039	378,680	447,017	1,834,736
Grants and contracts				
Federal - Title and IDEA	1,054,298	718,873	665,800	2,438,971
Federal - ESSER	2,845,876	1,917,066	1,089,930	5,852,872
Federal - Other	82,493	64,805	25,046	172,344
Food service/child nutrition program	1,497,973	908,529	857,858	3,264,360
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>25,136,451</u>	<u>15,280,367</u>	<u>13,733,792</u>	<u>54,150,610</u>
Personnel services costs:				
Administrative staff personnel	2,751,963	1,414,335	1,316,203	5,482,501
Instructional personnel	7,716,348	4,544,962	3,826,655	16,087,965
Non-instructional personnel	50,804	48,720	-	99,524
TOTAL STAFF AND SALARIES	<u>10,519,115</u>	<u>6,008,017</u>	<u>5,142,858</u>	<u>21,669,990</u>
Fringe benefits and payroll taxes	2,180,317	1,171,954	927,338	4,279,609
Retirement	317,390	149,797	142,622	609,809
Management fees	2,609,515	1,726,943	1,632,540	5,968,998
Legal service	18,766	7,144	7,144	33,054
Accounting and audit services	28,671	19,114	19,114	66,899
Other professional and consulting services	428,833	76,564	16,225	521,622
Building and land rent	1,685,947	272,218	189,741	2,147,906
Repairs and maintenance	1,308,962	588,869	651,622	2,549,453
Insurance	241,980	161,319	161,320	564,619
Utilities	403,390	109,540	137,869	650,799
Supplies and materials	532,341	212,899	373,243	1,118,483
Equipment/Furnishings	122,694	87,217	194,542	404,453
Professional development	348,612	213,200	186,516	748,328
Marketing and recruitment	96,004	10,164	60,709	166,877
Technology	971,164	617,518	587,316	2,175,998
Food service	1,389,111	797,984	800,474	2,987,569
Student services	1,440,019	652,283	575,757	2,668,059
Office expense	535,841	413,679	294,621	1,244,141
Depreciation and amortization	1,120,132	196,117	213,669	1,529,918
Other	297,323	154,250	127,911	579,484
TOTAL EXPENSES	<u>26,596,127</u>	<u>13,646,790</u>	<u>12,443,151</u>	<u>52,686,068</u>
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	<u>(1,459,676)</u>	<u>1,633,577</u>	<u>1,290,641</u>	<u>1,464,542</u>
Support and other revenue:				
Contributions:				
Foundations	5,829	111,243	5,829	122,901
Individuals	35,298	53,027	35,298	123,623
Corporations	16,039	333,643	6,039	355,721
Interest income	471,473	305,510	305,511	1,082,494
Miscellaneous income	188,426	77,216	38,225	303,867
TOTAL SUPPORT AND OTHER REVENUE	<u>717,065</u>	<u>880,639</u>	<u>390,902</u>	<u>1,988,606</u>
CHANGE IN NET ASSETS	<u>\$ (742,611)</u>	<u>\$ 2,514,216</u>	<u>\$ 1,681,543</u>	<u>\$ 3,453,148</u>

* Includes Northmark LLC

ROCHESTER PREP CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES – ROCHESTER PREP CHARTER SCHOOL 1*

	No. of Positions	June 30,						
		2024					2023	
		Program Services					Support Services	
		Regular education	Special education	Total	Management and General	Total	Total	
					Consolidated	Unconsolidated		
Personnel services costs:								
Administrative staff personnel	30	\$ 1,674,859	\$ 88,150	\$ 1,763,009	\$ 988,954	\$ 2,751,963	\$ 2,615,287	
Instructional personnel	138	7,330,531	385,817	7,716,348	-	7,716,348	6,978,653	
Non-instructional personnel	1	48,264	2,540	50,804	-	50,804	78,374	
Total salaries and staff	169	9,053,654	476,507	9,530,161	988,954	10,519,115	9,672,314	
Fringe benefits and payroll taxes		1,877,376	98,809	1,976,185	204,132	2,180,317	2,051,325	
Retirement		273,801	14,411	288,212	29,178	317,390	309,037	
Management fees		2,110,821	111,096	2,221,917	387,598	2,609,515	2,562,401	
Legal service		-	-	-	18,766	18,766	27,630	
Accounting and audit services		-	-	-	28,671	28,671	30,343	
Other professional and consulting services		407,391	21,442	428,833	-	428,833	228,751	
Building and land rent		1,601,650	84,297	1,685,947	-	1,685,947	1,737,560	
Repairs and maintenance		1,244,734	64,228	1,308,962	-	1,308,962	1,104,154	
Insurance		-	-	-	241,980	241,980	182,928	
Utilities		314,434	16,537	330,971	72,419	403,390	496,348	
Supplies and materials		501,295	26,384	527,679	4,662	532,341	418,553	
Equipment/Furnishings		101,435	5,339	106,774	15,920	122,694	200,560	
Professional development		331,181	17,431	348,612	-	348,612	274,664	
Marketing and recruitment		91,204	4,800	96,004	-	96,004	101,228	
Technology		832,254	43,803	876,057	95,107	971,164	1,312,850	
Food service		1,319,655	69,456	1,389,111	-	1,389,111	1,216,855	
Student services		1,368,018	72,001	1,440,019	-	1,440,019	1,254,899	
Office expense		370,158	19,482	389,640	146,201	535,841	671,011	
Depreciation and amortization		1,052,732	55,407	1,108,139	11,993	1,120,132	1,087,224	
Other		262,511	13,660	276,171	21,152	297,323	257,421	
		<u>\$ 23,114,304</u>	<u>\$ 1,215,090</u>	<u>\$ 24,329,394</u>	<u>\$ 2,266,733</u>	<u>\$ 26,596,127</u>	<u>\$ 25,198,056</u>	

* Includes Northmark LLC

ROCHESTER PREP CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES – ROCHESTER PREP CHARTER SCHOOL 2

	June 30,						
	2024						2023
	No. of Positions	Program Services			Support Services		Total
		Regular education	Special education	Total	Management and General	Total	
						Consolidated	Unconsolidated
Personnel services costs:							
Administrative staff personnel	18	\$ 825,500	\$ 25,531	\$ 851,031	\$ 563,304	\$ 1,414,335	\$ 1,362,577
Instructional personnel	86	4,408,613	136,349	4,544,962	-	4,544,962	4,131,696
Non-instructional personnel	1	47,258	1,462	48,720	-	48,720	41,166
Total salaries and staff	105	5,281,371	163,342	5,444,713	563,304	6,008,017	5,535,439
Fringe benefits and payroll taxes		1,030,048	31,857	1,061,905	110,049	1,171,954	1,137,870
Retirement		131,704	4,073	135,777	14,020	149,797	157,443
Management fees		1,420,582	43,936	1,464,518	262,425	1,726,943	1,641,667
Legal service		-	-	-	7,144	7,144	5,229
Accounting and audit services		-	-	-	19,114	19,114	20,228
Other professional and consulting services		74,267	2,297	76,564	-	76,564	40,099
Building and land rent		264,051	8,167	272,218	-	272,218	582,560
Repairs and maintenance		571,203	17,666	588,869	-	588,869	602,417
Insurance		-	-	-	161,319	161,319	121,952
Utilities		53,436	1,653	55,089	54,451	109,540	136,900
Supplies and materials		205,392	6,352	211,744	1,155	212,899	284,816
Equipment/Furnishings		76,267	2,359	78,626	8,591	87,217	73,952
Professional development		206,804	6,396	213,200	-	213,200	141,107
Marketing and recruitment		9,859	305	10,164	-	10,164	89,155
Technology		543,912	16,822	560,734	56,784	617,518	541,638
Food service		774,044	23,940	797,984	-	797,984	822,654
Student services		632,715	19,568	652,283	-	652,283	584,130
Office expense		257,536	7,965	265,501	148,178	413,679	353,105
Depreciation and amortization		188,810	5,839	194,649	1,468	196,117	283,088
Other		63,585	1,967	65,552	88,698	154,250	212,629
		<u>\$ 11,785,586</u>	<u>\$ 364,504</u>	<u>\$ 12,150,090</u>	<u>\$ 1,496,700</u>	<u>\$ 13,646,790</u>	<u>\$ 13,368,078</u>

ROCHESTER PREP CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES – ROCHESTER PREP CHARTER SCHOOL 3

	June 30,						2023	
	2024			2023				
	No. of Positions	Program Services		Total	Support Services			Total
		Regular education	Special education		Management and General	Total		
						Consolidated	Unconsolidated	
Personnel services costs:								
Administrative staff personnel	15	\$ 814,455	\$ 33,936	\$ 848,391	\$ 467,812	\$ 1,316,203	\$ 1,429,529	
Instructional personnel	89	3,673,589	153,066	3,826,655	-	3,826,655	3,127,363	
Non-instructional personnel	-	-	-	-	-	-	10,999	
Total salaries and staff	104	4,488,044	187,002	4,675,046	467,812	5,142,858	4,567,891	
Fringe benefits and payroll taxes		826,547	34,439	860,986	66,352	927,338	890,454	
Retirement		127,120	5,297	132,417	10,205	142,622	127,465	
Management fees		1,330,618	55,442	1,386,060	246,480	1,632,540	1,336,143	
Legal service		-	-	-	7,144	7,144	5,190	
Accounting and audit services		-	-	-	19,114	19,114	20,229	
Other professional and consulting services		15,576	649	16,225	-	16,225	62,292	
Building and land rent		182,151	7,590	189,741	-	189,741	74,346	
Repairs and maintenance		625,557	26,065	651,622	-	651,622	716,529	
Insurance		-	-	-	161,320	161,320	121,952	
Utilities		86,594	3,608	90,202	47,667	137,869	152,355	
Supplies and materials		358,227	14,926	373,153	90	373,243	251,718	
Equipment/Furnishings		155,499	6,479	161,978	32,564	194,542	285,927	
Professional development		179,055	7,461	186,516	-	186,516	139,835	
Marketing and recruitment		58,281	2,428	60,709	-	60,709	44,471	
Technology		527,276	21,970	549,246	38,070	587,316	526,865	
Food service		768,455	32,019	800,474	-	800,474	615,377	
Student services		552,727	23,030	575,757	-	575,757	602,953	
Office expense		215,124	8,964	224,088	70,533	294,621	255,640	
Depreciation and amortization		200,949	8,373	209,322	4,347	213,669	241,153	
Other		116,512	4,855	121,367	6,544	127,911	112,020	
		<u>\$ 10,814,312</u>	<u>\$ 450,597</u>	<u>\$ 11,264,909</u>	<u>\$ 1,178,242</u>	<u>\$ 12,443,151</u>	<u>\$ 11,150,805</u>	