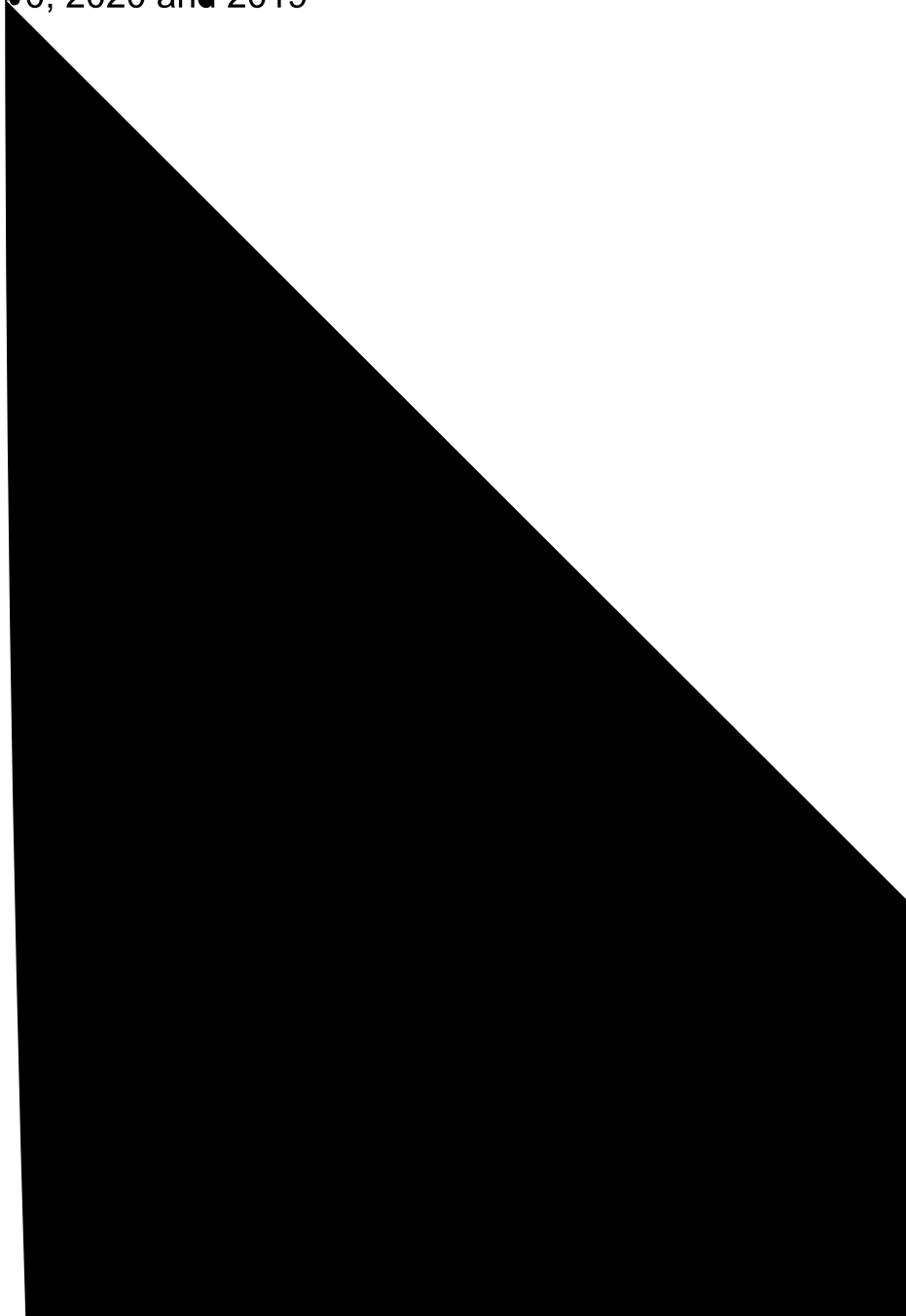




Democracy Prep New York Charter School

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2020 and 2019



Democracy in New York Charter Schools

Financial Statements and
 Uniform Guidance Schedules
 Together with Independent Auditors' Reports
 for the Years Ended June 30, 2020 and 2019

TABL OF CONT N	Page No.
Independent Auditors' Report	
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	
Schedule of Activities – Bronx Prep r tor Charter school	23
Schedule of Activities – Democr c Prep r tor Charter school	24
Schedule of Activities – Democr c Prep r tor Harlem Charter school	25
Schedule of Activities – Harlem Prep Charter school	26
Schedule of Activities – Democr c Prep r tor Endur nce Charter school	27
Schedule of Functional Expenses – Bronx Prep r tor Charter school	28
Schedule of Functional Expenses – Democr c Prep r tor Charter school	29
Schedule of Functional Expenses – Democr c Prep r tor Harlem Charter school	30
Schedule of Functional Expenses – Harlem Prep r tor Charter school	31
Schedule of Functional Expenses – Democr c Prep r tor Endur nce Charter school	32
UNIFORM GUIDANCE REPORTS AND SCHEDULES	
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards	34
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	
Schedule of Findings and Questioned Costs	39
Appendix A – Corrective Action Plan	

ASSETS

Current Assets

Cash

Investments

Grants and contracts receivable

Due from related parties

Prepaid expenses and other current assets

0.0
019
\$ 7
\$ 7

21 d p e R

	Without Donor Re- <u>striction</u>	With Donor Re- <u>striction</u>	Tot <u>I</u>
OPERATING R V NU			
State and Local Pupil Operating Revenue			
Regular Student Enrollment	\$ 1,100,000	\$ -	\$ 1,100,000
Student with Disabilities	1,100,000	-	1,100,000
Facilities Funding	1,100,000	-	1,100,000
Grant and Contributions			
Federal, State, and Local	3,330,000	-	3,330,000
State and City	370,000	-	370,000
Total Operating Revenue	0,100,000	-	0,100,000
EXPENSES			
Program Service			
Regular Education	49,000	-	49,000
Special Education	11,700	-	11,700
Total Program Service	1,340,000	-	1,340,000
Supporting Service			
Management and General	7,030,000	-	7,030,000
Fundraising	470,000	-	470,000
Total Expense	8,440,000	-	8,440,000
Surplus from Operation	11,000	-	11,000

SUPPORT AND OTHER REVENUE
 Contribution
 Rental income
 Other income

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State			

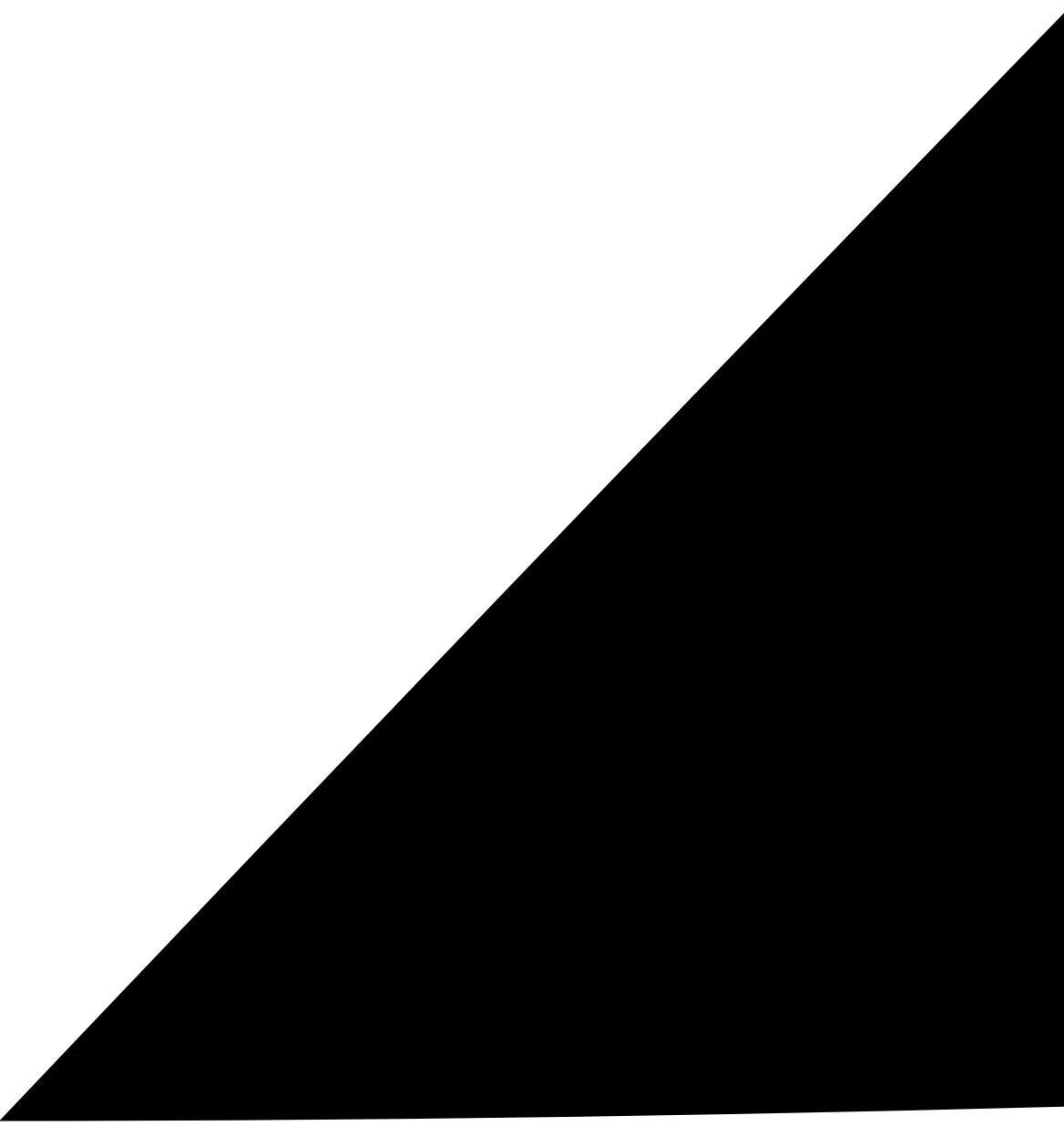
M n gement
nd
Gener l
Fundr i-ing
Tot l

Speci l
Educ tion
Tot l

Regul r
Educ tion
No. of Po-ition

Per-sonnel Service Co-t.
Admini-tr-tive t-ff per-sonnel

101
7, 10



Management
and

Special

Regular

CASH FLOW FROM OPERATING ACTIVITIES

Change in net ~~asset~~ _____
Adjustment to reconcile change in net ~~asset~~ _____
to net cash from operating activities _____

0.18
\$ 1,115
0.49
\$ 1,114



Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

Democracy Prep New York Charter Schools (the "school") is a New York State, not-for-profit educational organization.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status (continue)

Friends of Bronx Prep Charter School, Inc. ("Friends") was organized under the laws of the State of New York on June 29, 1999 as a not-for-profit corporation under subchapter (c)(6) of Section 102 of the Not-For-Profit Corporation Law. Friends was established to create a plan for a charter school in New York City, directing an application for such a charter and making contributions to such a school and other tax-exempt organizations. The bylaws of Friends were amended, restated, and approved by the board of directors. Under the amended bylaws, Friends ceased to be controlled by the school effective July 1, 2014. Upon the school and Friends' separation, consolidation is no longer required and Friends' net assets, except for the school's interest in Friends' building (see Note 3), were transferred out from the school's financial statements. As of July 1, 2014, \$1,792,988 of net assets was transferred to Friends from the separation of Friends from the school.

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

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

Restricted Cash

In November

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Le

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

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

Deferred Rent (continued)

The difference between the straight-line rent expense and the required lease payments, as well as non-amortized lease incentives, is reflected in deferred rent in the accompanying statements of financial position.

Revenue and Support

Revenue from state and local governments resulting from the school's charter status is based on the number of students enrolled and 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 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 Costs

The school uses marketing and recruitment specific limited-term hiring staff and obtaining new students. Accordingly, all costs in marketing and recruiting were allocated to program and management and general expenditures and expensed as incurred. For the years ended June 30, 2020 and 2019, marketing and recruiting costs totaled \$217,138 and \$138,771.

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.

Accounting or 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 not

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

7. Related Party Transactions (not disclosed elsewhere)

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

7. Related Party Transactions (not disclosed elsewhere) (continued)

For operational efficiency and purchasing power, the school shares expenses with the related

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

10. Net Assets With Donor Restrictions (*continued*)

Net assets were released from

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

11. Commitments (continued)

On September 20, 2016, DPE entered into a sub-lease agreement with DPP for use of classroom facilities at the 2nd floor of the building located at 230 East 123rd Street, New York, NY. The lease term is 30 years, expiring on June 30, 2047.

The future minimum lease payments under these operating leases are as follows for the years ended June 30:

2021	\$	3,958,805
2022		3,547,676
2023		3,619,299
2024		3,666,481
2025		3,747,441
Thereafter		70,646,684
	\$	<u>89,186,386</u>

Occupancy expense was \$5,047,099 and \$3,006,275 for the years ended June 30, 2020 and 2019.

12. Capital Lease Obligation

The school leases computers and equipment under capital leases that expire at various dates through in June 2023. The assets and liabilities under the capital leases are recorded at the present value of the minimum lease payments. The assets are being depreciated over their estimated useful life.

Following is a summary of property and equipment held under capital leases at June 30:

	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ 3,043,406	\$ 1,796,732
Accumulated depreciation	<u>(152,806)</u>	<u>(1,101,750)</u>
	<u>\$ 2,890,600</u>	<u>\$ 694,982</u>

Democracy Prep New York Charter Schools

Notes to Financial Statements
June 30, 2020 and 2019

12. Capital Lease Obligation (continued)

The future minimum lease payments are as follows for the years ending June 30:

2021	\$ 824,472
2022	897,024
2023	875,024
2024	870,624
2025	<u>72,541</u>
Total minimum lease payments	3,539,685
Amounts representing interest	<u>(412,256)</u>
Present value of minimum lease payments	3,127,429
Current portion	<u>(652,572)</u>
Capital lease obligation, less current portion	<u><u>\$ 2,474,857</u></u>

13. Employee Benefit Plan

The school maintains a retirement 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 15% of the participant's net salary compensation. Employer match for the years ended June 30, 2020 and 2019 amounted to \$1,422,749 and \$964,089.

14. Contingency

Certificates 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.

15. Merger Information

As stated in Note 1, the New York State Board of Regents approved the merger of Democracy Prep for Endurance Charter School ("DPE") effective July 1, 2019. DPE ceased to exist as a separate legal entity in conjunction with the merger. The plan of merger was approved by the New York State Board of Regents.

12

The image features a white background with several black geometric elements. At the top, there are several thin vertical lines and a few thicker diagonal lines that intersect them. Below these, a thick black horizontal bar spans across the page. Underneath this bar, the text is centered. At the bottom of the page, a large black triangle points upwards from the bottom edge, meeting the horizontal bar.

Democracy Prep New York Charter School

Supplementary Information

June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 1,930,171	\$ -	\$ 1,930,171
Students with disabilities	1,014,19	-	1,014,19
Grants and Contracts			
Federal E-Rate, IDEA, and Titles		-	-
State and cit		-	-
Total Operating Revenue	<u>14</u>	<u>-</u>	<u>14</u>

EXPENSES

	Without Donor Re triktion	With Donor Re triktion	Tot l
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 16,963,108	\$ -	\$ 16,963,108
Student with disabilities	1,225,904	-	1,225,904
Facility funding	818,160	-	818,160
Grant and Contract			
Federal E-Rate, IDEA, and Title	778,797	-	778,797
State Aid	87,120	-	87,120
Total Operating Revenue	<u>19,873,089</u>	<u>-</u>	<u>19,873,089</u>
EXPENSES			
Program Service			
Regular education	12,105,280	-	12,105,280
Special education	3,120,949	-	3,120,949
Total Program Service	<u>15,226,229</u>	<u>-</u>	<u>15,226,229</u>
Supporting Service			
Management and general	1,903,210	-	1,903,210
Funding	113,412	-	113,412
Total Expense	<u>17,242,851</u>	<u>-</u>	<u>17,242,851</u>
Savings from Operation	<u>2,630,238</u>	<u>-</u>	<u>2,630,238</u>
SUPPORT AND OTHER REVENUE			
Contribution	-	3,653	3,653
Other income	94,443	-	94,443
Net interest received from re triktion	<u>3,653</u>	<u>(3,653)</u>	<u>-</u>
Total Support and Other Revenue	<u>98,096</u>	<u>-</u>	<u>9</u>

Democracy Prep New York Charter Schools

Schedule of Activities by School
 Democracy Prep for Endrew Charter School

	Without Donor Retribution	With Donor Retribution	Total
OPERATING REVENUE			
State and Local Per Pupil Operating Revenue			
Regular student enrollment	\$ 10,976,272	\$ -	\$ 10,976,272
Student with disabilities	1,265,735	-	1,265,735
Facilities funding	850,516	-	850,516
Grant and Contract			
Federal E-Rate, IDEA, and Title	479,161	-	479,161
State aid	54,607	-	54,607
Total Operating Revenue	<u>13,626,291</u>	<u>-</u>	<u>13,626,291</u>
EXPENSES			
Program Service			
Regular education	7,649,178	-	7,649,178
Special education	1,875,349	-	1,875,349
Total Program Service	<u>9,524,527</u>	<u>-</u>	<u>9,524,527</u>
Supporting Service			
Management and general	1,209,641	-	1,209,641
Funding	76,059	-	76,059
Total Expense	<u>10,810,227</u>	<u>-</u>	<u>10,810,227</u>
Subsidy from Operation	<u>2,816,064</u>	<u>-</u>	<u>2,816,064</u>
SUPPORT AND OTHER REVENUE			
Contribution	-	4,503	4,503
Other income	91,308	-	91,308
Net asset released from retribution	4,503	(4,503)	-
Total Support and Other Revenue	<u>95,811</u>	<u>-</u>	<u>95,811</u>
Change in Net Asset	2,911,875	-	2,911,875
NET ASSETS			
Beginning of year	<u>1,769,111</u>	<u>-</u>	<u>1,769,111</u>
End of year	<u>\$ 4,680,986</u>	<u>\$ -</u>	<u>\$ 4,680,986</u>

	No. of Positions	Regular Education	Special Education	Total	Management General	Funding	Total
Per-sonnel Service - Co-t.	1	\$ 1,59	\$ 17,170	\$ 79,177	\$ 9,5	\$ -	\$ 1,9
Administrative - staff per-sonnel	9	5,14,41	1,357,49	59,47	-	-	,59
In-struction - per-sonnel	4	707	1,30	9	-	-	9
Non-in-struction - per-sonnel							
Total							

TOTAL

	No. of Positions	Regular Education		Special Education		Total	M n gement		Fundraising	Total
							Gener l			
Per-sonnel Service-Co.t.	19	\$ 51,9	\$ 10,371		\$ 7,9	\$ 59,07		\$ 1,9447		
Administrative-tffper-sonnel	49	3,993	771,597		3,97973	-		3,941,973		
In-struction l per-sonnel	1		3,043		1					
Non-in-struction l per-sonnel										
Tot l S l rie-and St ff	9	3,7	935,011		4,70	59,07		5,		
Fringe benefit-and p-yroll t xe		7	43		91	110,99		1,0		
Retirement		1	75		6	43				
M n gement comp ny fee		9								

Per-sonnel Service-Co.t.
 Administrative-tffper-sonnel
 In-struction l per-sonnel
 Non-in-struction l per-sonnel
 Tot l S l rie-and St ff
 Fringe benefit-and p-yroll t xe
 Retirement
 M n gement comp ny fee

Democracy Prep New York Charter Schools

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Democracy Prep New York Charter Schools under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles*

Boar of Trustees
Democracy Prep New Yor Charter Schools
Page 2

Compliance and Other **O**

**Report on Compliance for each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

**Board of Trustees
Democracy Prep New York Charter Schools**

Report on Compliance for each Major Federal Program

We have

Board of Trustees
Democracy Prep New York Charter Schools
Page 2

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Democracy Prep New York Charter Schools

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section II – Financial Statement Findings (

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Democracy Prep New York Charter Schools

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2020

Section IV - Prior Periods' Findings (continued)

2019-004- Credit Card Transactions

Criteria

The fiscal policies and procedures manual ("FPP") states that all credit card transactions over \$75 should be supported by duly approved receipts or other supporting documentation.

Condition

A substantial portion of charges were missing receipts and approvals.

Status

The condition was corrected in fiscal 2020.

2019-005- Time and Effort Reporting – Periodic Certification for Employees Who Work on Multiple Activities of Cost Objectives

CFDA

84.010, Title 1 Grants to Local Educational Agencies
U.S. Department of Education

Criteria

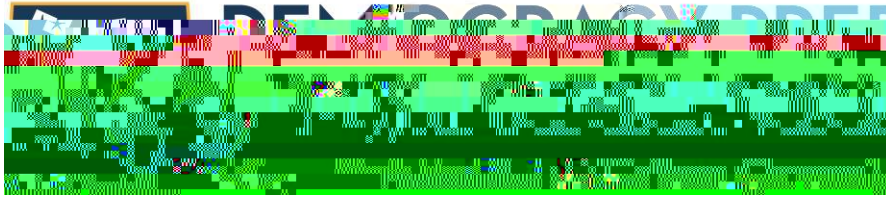
Cost principles under the Uniform Guidance requires that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. For employees that work on multiple activities or cost objectives, distribution of the employee's salary and wages must be supported by personnel activity report ("PAR") or equivalent document. PARs must be prepared at least monthly and signed by the employee.

Condition

Monthly PARs indicating total distribution of employee activity were not prepared.

Status

The condition was corrected in fiscal 2020.



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