

**PERSISTENCE PREPARATORY ACADEMY
CHARTER SCHOOL**

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Persistence Preparatory Academy Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheets of Persistence Preparatory Academy Charter School (the School) as of June 30, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School, 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 these financial statements in accordance with GAAP, 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 the School's ability to continue as a going concern for one year after the date the financial statements are 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 GAAS 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 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 GAAS 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 the School's 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 the School's 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 the School's 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 the School's internal control over financial reporting and compliance.



October 26, 2023

PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL

Balance Sheets

June 30,	2023	2022
Assets		
Current assets:		
Cash	\$ 1,302,531	\$ 1,054,365
Receivables (Note 2)	824,841	193,996
Prepaid expenses	211,279	11,448
	<u>2,338,651</u>	<u>1,259,809</u>
Property and equipment, net (Note 3)	8,441,550	8,661,228
Restricted cash	474,733	470,745
Other	11,065	11,065
	<u>\$ 11,265,999</u>	<u>\$ 10,402,847</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 129,146	\$ 121,070
Accounts payable	121,820	130,417
Accrued expenses	360,216	103,795
	<u>611,182</u>	<u>355,282</u>
Long-term debt (Note 5)	7,211,183	7,340,329
Net assets:		
Without donor restrictions	3,421,629	2,707,236
With donor restrictions	22,005	-
	<u>3,443,634</u>	<u>2,707,236</u>
	<u>\$ 11,265,999</u>	<u>\$ 10,402,847</u>

See accompanying notes.

PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL

Statements of Activities

For the years ended June 30,	2023	2022
Change in net assets without donor restrictions:		
Support and revenue:		
Enrollment fees:		
Resident students	\$ 4,310,703	\$ 3,565,311
Students with disabilities	326,419	192,595
Contributions:		
Federal awards	687,186	454,383
State awards and other public support	419,976	113,142
Other income	82,107	38,971
Net assets released from restrictions	-	10,100
Total support and revenue	<u>5,826,391</u>	<u>4,374,502</u>
Expenses:		
Program expenses:		
Regular education	3,421,286	2,590,023
Special education	361,769	286,059
Other program	363,834	366,315
Supporting services:		
Management and general	965,109	819,634
Total expenses	<u>5,111,998</u>	<u>4,062,031</u>
Change in net assets without donor restrictions	<u>714,393</u>	<u>312,471</u>
Net assets with donor restrictions:		
Contributions	22,005	-
Net assets released from restrictions	-	(10,100)
Change in net assets with donor restrictions	<u>22,005</u>	<u>(10,100)</u>
Change in net assets	<u>736,398</u>	<u>302,371</u>
Net assets - beginning	<u>2,707,236</u>	<u>2,404,865</u>
Net assets - ending	<u>\$ 3,443,634</u>	<u>\$ 2,707,236</u>

PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2023

	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	5.0	\$ -	\$ -	\$ -	\$ 377,861	\$ 377,861
Instructional personnel	35.0	1,542,567	190,645	-	-	1,733,212
Non-instructional personnel	2.0	-	-	109,984	-	109,984
Total salaries	42.0	\$ 1,542,567	\$ 190,645	\$ 109,984	\$ 377,861	\$ 2,221,057
Salaries		\$ 1,542,567	\$ 190,645	\$ 109,984	\$ 377,861	\$ 2,221,057
Employee benefits and payroll taxes		324,746	40,135	23,154	79,548	467,583
Retirement		141,134	17,443	10,063	34,572	203,212
Afterschool program		-	-	82,995	-	82,995
Classroom supplies and materials		36,941	-	-	-	36,941
Consultants and professional fees		-	50,346	-	153,743	204,089
Insurance		-	-	-	32,904	32,904
Interest		321,938	20,121	20,121	40,242	402,422
Occupancy		76,282	4,768	4,768	9,535	95,353
Office expense		-	-	-	44,060	44,060
Other expenses		-	-	-	32,301	32,301
Recruitment		-	-	-	11,518	11,518
Repairs and maintenance		265,229	16,577	16,577	33,154	331,537
Staff development		266,750	-	-	-	266,750
Student services		-	-	74,438	-	74,438
Technology		97,959	-	-	-	97,959
Telephone		27,482	1,718	1,718	3,435	34,353
Bad debts		-	-	-	72,204	72,204
		3,101,028	341,753	343,818	925,077	4,711,676
Depreciation		320,258	20,016	20,016	40,032	400,322
Total		\$ 3,421,286	\$ 361,769	\$ 363,834	\$ 965,109	\$ 5,111,998

See accompanying notes.

PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2022

	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	4.4	\$ -	\$ -	\$ -	\$ 318,752	\$ 318,752
Instructional personnel	26.0	1,314,999	134,998	-	-	1,449,997
Non-instructional personnel	3.0	-	-	154,429	-	154,429
Total salaries	33.4	\$ 1,314,999	\$ 134,998	\$ 154,429	\$ 318,752	\$ 1,923,178
Salaries		\$ 1,314,999	\$ 134,998	\$ 154,429	\$ 318,752	\$ 1,923,178
Employee benefits and payroll taxes		255,613	26,241	30,018	61,960	373,832
Retirement		53,065	5,448	6,232	12,863	77,608
Afterschool program		-	-	50,000	-	50,000
Classroom supplies and materials		113,684	-	-	-	113,684
Consultants and professional fees		27,350	75,836	-	149,175	252,361
Insurance		-	-	-	79,002	79,002
Interest		145,442	9,091	9,091	18,180	181,804
Occupancy		132,424	8,277	8,277	16,553	165,531
Office expense		-	-	-	38,218	38,218
Other expenses		-	-	-	37,341	37,341
Recruitment		-	-	-	9,253	9,253
Repairs and maintenance		151,016	9,438	9,438	18,876	188,768
Staff development		49,215	-	-	-	49,215
Student services		-	-	82,100	-	82,100
Technology		79,523	-	-	-	79,523
Telephone		27,795	1,737	1,737	3,474	34,743
Bad debts		-	-	-	26,000	26,000
		2,350,126	271,066	351,322	789,647	3,762,161
Depreciation		239,897	14,993	14,993	29,987	299,870
Total		\$ 2,590,023	\$ 286,059	\$ 366,315	\$ 819,634	\$ 4,062,031

See accompanying notes.

PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL

Statements of Cash Flows

For the years ended June 30,	2023	2022
Operating activities:		
Cash received from enrollment fees	\$ 4,601,163	\$ 3,803,156
Cash received from contributions	534,281	568,881
Cash received from other sources	82,107	38,971
Payments to employees for services and benefits	(2,635,431)	(2,346,763)
Payments to vendors and suppliers	(1,625,830)	(1,097,111)
Interest paid	(402,422)	(181,804)
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Net operating activities	553,868	785,330
Investing activities:		
Property and equipment expenditures	(180,644)	(3,100,589)
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Financing activities:		
Net payments on short-term borrowings	-	(400,000)
Proceeds from long-term debt	-	2,964,234
Principal payments on long-term debt	(121,070)	(26,843)
	<hr/>	<hr/>
Net financing activities	(121,070)	2,537,391
	<hr/>	<hr/>
Net change in cash and restricted cash	252,154	222,132
Cash and restricted cash - beginning	1,525,110	1,302,978
	<hr/>	<hr/>
Cash and restricted cash - ending	\$ 1,777,264	\$ 1,525,110
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Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

Persistence Preparatory Academy Charter School (the School) operates a charter school in the City of Buffalo, New York (the City) pursuant to its charter agreement with the Board of Regents of the University of the State of New York. The School offered classes from kindergarten through fifth grade in 2023 and plans to add one grade per year until eighth grade. The School is chartered through July 2028 and continued operations are contingent upon approval of its charter renewal.

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through October 26, 2023, the date the financial statements were available to be issued.

Cash:

Cash in financial institutions potentially subjects the School to concentrations of credit risk since it may exceed insured limits at various times throughout the year. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur. This is included as restricted cash on the balance sheets as of June 30, 2023 and 2022.

At June 30, 2023, the School maintains \$399,733 (\$395,745 at June 30, 2022) in cash restricted by various debt agreements.

Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Net Assets:

The School's financial position and activities are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors for a specific time period or purpose. Net assets with donor restrictions at June 30, 2023 are restricted for specific program and student support.

Revenue Recognition:

Enrollment Fees

Enrollment fees are received from the public school district where a student resides. The amount received each year from the resident district is generally the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the School residing in that district. The respective districts also reimburse the School for special education service based on approved applicable rates for the services provided. Revenues are recognized over the period the services are provided. The School generally invoices the resident district bimonthly and payment is due in 30 days. Enrollment fees received in advance are deferred and recognized when earned. The School's enrollment fees are received primarily from the City School District.

Contributions

Contributions are reported at fair value at the date the pledge or award is received. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

Conditional contributions, primarily government awards, are recorded as revenue when the School meets requirements in compliance with specific agreements. Amounts received before the required conditions are met are reported as refundable advances on the accompanying balance sheets. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

As of June 30, 2023, conditional awards from the federal Educational Stabilization Fund of \$786,000 and a local foundation of \$400,000 will be recognized when qualifying expenses are incurred over the next two years.

Receivables

Receivables are stated at the amounts management expects to collect from outstanding balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to uncollectible receivables and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

Income Taxes:

The School is a 501(c)(3) corporation exempt from taxation under §501(a) of the Internal Revenue Code.

Transportation and Food Services:

The City School District provides the School with certain transportation and food services at no charge. The value of these services has not been recorded in the accompanying financial statements.

Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Expense Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries, benefits, and payroll taxes, which are allocated based on estimates of time and effort, and occupancy, repairs and maintenance, depreciation, and interest which are allocated based on management's estimate of program benefit.

Reclassifications:

The 2022 financial statements have been reclassified to conform with the presentation adopted in 2023.

2. Receivables:

	2023	2022
Contributions	\$ 771,434	\$ 176,548
Enrollment fees and other	53,407	17,448
	\$ 824,841	\$ 193,996

3. Property and Equipment:

	2023	2022
Land	\$ 31,500	\$ 31,500
Building improvements	129,397	11,470
Building	8,619,684	8,619,684
Instructional and office equipment	465,830	403,113
	9,246,411	9,065,767
Less accumulated depreciation	804,861	404,539
	\$ 8,441,550	\$ 8,661,228

4. Short-Term Borrowings:

The School has available a \$400,000 bank demand line of credit for working capital secured by essentially all assets of the School with interest payable at prime plus 0.5%. The line is subject to the usual terms and conditions applied by the bank for working capital financing and is annually reviewed and renewed. There were no borrowings on the line of credit at June 30, 2023 and 2022.

5. Long-Term Debt:

	2023	2022
Bank promissory note, monthly installments of \$43,479 including interest at 4.7%, estimated balloon payment of \$6,988,000 due December 2025 (expected to be refinanced), secured by School property and equipment.	\$ 7,457,498	\$ 7,624,467
Equipment loans, varying monthly installments and interest rates, secured by related equipment, due through June 2024.	1,710	3,362
	7,459,208	7,627,829
Less unamortized debt issuance costs	118,879	166,430
	7,340,329	7,461,399
Less current portion	129,146	121,070
	\$ 7,211,183	\$ 7,340,329

Debt issuance costs are amortized as interest expense over the term of the bank promissory loan. Amortization expense was \$47,551 and \$15,851 for the years ended June 30, 2023 and 2022.

Aggregate maturities of net long-term debt balances subsequent to June 30, 2023 are:

2024	\$ 129,146
2025	135,840
2026	<u>7,075,343</u>
	<u>\$ 7,340,329</u>

The bank debt agreements contain restrictive covenants relative to debt service coverage, liquid assets levels, and net assets levels.

6. Retirement Plans:

In 2023, the School began to participate in the New York State Teachers' Retirement System (TRS) which is a cost-sharing multiple employer public employee retirement system. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from TRS at www.nystrs.org.

No employee contribution is required for those whose service began prior to July 1976. TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

Pursuant to Article 11 of Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board at an actuarially determined rate. The rate is 10.29% of the annual covered payroll for the year ended June 30, 2023. The required contribution for TRS was \$186,262 for the year ended June 30, 2023.

The School also participates in a multiple employer 401(k) pension plan covering essentially all employees. The School contributes 6% of employees' salaries who participate in the plan and are not otherwise eligible to participate in TRS, subject to certain limitations. The School's pension expense was \$16,950 and \$77,608 for the years ended June 30, 2023 and 2022.

7. Financial Assets Available for Operating Purposes:

The School obtains financial assets generally through enrollment fees and contributions. The financial assets are acquired throughout the year to help meet the School's cash needs for general expenditures. If necessary, the School also has access to a \$400,000 bank demand line of credit (Note 4).

The School's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	2022
Cash available for operations	<u>\$ 1,302,531</u>	\$ 1,054,365
Receivables	<u>824,841</u>	193,996
	<u>2,127,372</u>	1,248,361
Less: net assets restricted by donors	<u>22,005</u>	-
	<u>\$ 2,105,367</u>	\$ 1,248,361

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Persistence Preparatory Academy Charter School

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 Persistence Preparatory Academy Charter School (the School), which comprise the balance sheet as of June 30, 2023, 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 26, 2023.

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.

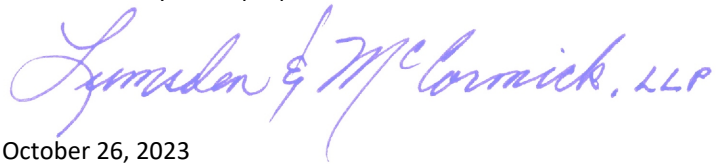
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lynda & McCormick, LLP

October 26, 2023