

Dream Charter School



**Financial Statements
and Supplementary Information
(Together with Independent Auditors' Report)
and Report Required by Government
Auditing Standards**

Years Ended June 30, 2021 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

DREAM CHARTER SCHOOL
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
and
Report Required by *Government Auditing Standards*
YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Dream Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Dream Charter School (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information (shown on pages 15-16) is presented for purposes of additional analysis of the financial statements and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, 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, 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 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.

Handwritten signature of Mark Paneth in black ink.

New York, NY
October 28, 2021

**DREAM CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2C and 11B)	\$ 8,233,772	\$ 5,051,733
Government grants receivable (Note 2F)	1,575,728	640,000
Contributions receivable, net (Notes 2F and 5)	396,078	859,562
Prepaid expenses and other assets	34,553	200,288
Restricted cash (Note 4)	150,000	150,000
Property and equipment, net (Notes 2G and 6)	9,911	14,660
TOTAL ASSETS	\$ 10,400,042	\$ 6,916,243
LIABILITIES		
Accounts payable and accrued expenses	\$ 277,308	\$ 42,691
Due to institutional partner (Note 8)	536,905	347,582
Paycheck Protection Program loan payable (Note 7)	-	2,213,946
Program related investment payable (Note 13)	150,000	150,000
Deferred rent (Notes 2J and 8)	309,750	467,250
TOTAL LIABILITIES	1,273,963	3,221,469
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)		
NET ASSETS (Note 2B)		
Without donor restrictions	8,726,079	2,974,962
With donor restrictions (Note 10)	400,000	719,812
TOTAL NET ASSETS	9,126,079	3,694,774
TOTAL LIABILITIES AND NET ASSETS	\$ 10,400,042	\$ 6,916,243

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

**DREAM CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
PUBLIC SUPPORT AND REVENUE:						
Public school district: (Notes 2E and 11A)						
Tuition - general enrollment	\$ 16,390,416	\$ -	\$ 16,390,416	\$ 13,647,294	\$ -	\$ 13,647,294
Tuition - students with disabilities	<u>4,276,570</u>	<u>-</u>	<u>4,276,570</u>	<u>3,255,069</u>	<u>-</u>	<u>3,255,069</u>
Subtotal public school district revenue	20,666,986	-	20,666,986	16,902,363	-	16,902,363
Government grants (Note 2E)	6,080,950	-	6,080,950	2,930,652	-	2,930,652
Contributions (Note 2F)	967,157	3,922	971,079	486,015	200,000	686,015
Donated services and facilities (Note 2I and 8)	1,744,650	-	1,744,650	1,744,650	-	1,744,650
Interest and investment income	17,377	-	17,377	2,798	-	2,798
Forgiveness of Paycheck Protection Program (Note 7)	2,239,222	-	2,239,222	-	-	-
Other	1,874	-	1,874	29,027	-	29,027
Net assets released from restrictions (Note 10)	<u>323,734</u>	<u>(323,734)</u>	<u>-</u>	<u>567,438</u>	<u>(567,438)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>32,041,950</u>	<u>(319,812)</u>	<u>31,722,138</u>	<u>22,662,943</u>	<u>(367,438)</u>	<u>22,295,505</u>
EXPENSES (Note 2H):						
Program services:						
General education	16,293,026	-	16,293,026	12,850,043	-	12,850,043
Special education	<u>5,954,518</u>	<u>-</u>	<u>5,954,518</u>	<u>4,844,808</u>	<u>-</u>	<u>4,844,808</u>
Total program services	22,247,544	-	22,247,544	17,694,851	-	17,694,851
Supporting services:						
Management and general	3,630,592	-	3,630,592	3,537,996	-	3,537,996
Fundraising	<u>412,697</u>	<u>-</u>	<u>412,697</u>	<u>411,552</u>	<u>-</u>	<u>411,552</u>
Total supporting services	4,043,289	-	4,043,289	3,949,548	-	3,949,548
TOTAL EXPENSES	<u>26,290,833</u>	<u>-</u>	<u>26,290,833</u>	<u>21,644,399</u>	<u>-</u>	<u>21,644,399</u>
CHANGE IN NET ASSETS	5,751,117	(319,812)	5,431,305	1,018,544	(367,438)	651,106
Net Assets - Beginning of Year	<u>2,974,962</u>	<u>719,812</u>	<u>3,694,774</u>	<u>1,956,418</u>	<u>1,087,250</u>	<u>3,043,668</u>
NET ASSETS - END OF YEAR	<u>\$ 8,726,079</u>	<u>\$ 400,000</u>	<u>\$ 9,126,079</u>	<u>\$ 2,974,962</u>	<u>\$ 719,812</u>	<u>\$ 3,694,774</u>

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

**DREAM CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)**

	For the Year Ended June 30, 2021							
	Program Services			Supporting Services				
	General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2021	
Salaries and wages	\$ 8,231,355	\$ 3,013,737	\$ 11,245,092	\$ 902,820	\$ -	\$ 902,820	\$ 12,147,912	\$ 10,643,666
Fringe benefits and payroll taxes (Note 12)	1,839,401	683,608	2,523,009	193,384	-	193,384	2,716,393	2,280,821
Total Salaries and Related Costs	10,070,756	3,697,345	13,768,101	1,096,204	-	1,096,204	14,864,305	12,924,487
Instructors and tutors	79,565	30,942	110,507	-	-	-	110,507	53,645
Classroom supplies	221,615	80,323	301,938	-	-	-	301,938	279,085
Program food and events	34,111	13,265	47,376	-	-	-	47,376	36,249
Other student expenses	110,237	39,125	149,362	-	-	-	149,362	351,502
Contractual services (Note 8)	1,728,000	672,000	2,400,000	2,338,616	412,697	2,751,313	5,151,313	3,818,231
Consulting and professional	534,959	192,577	727,536	68,339	-	68,339	795,875	526,805
Telephone and internet	1,981	770	2,751	-	-	-	2,751	3,697
Communication and outreach	-	-	-	58,792	-	58,792	58,792	34,905
Professional development	95,411	32,366	127,777	10,155	-	10,155	137,932	232,334
Office and administration	206,011	67,289	273,300	22,874	-	22,874	296,174	259,113
Repairs and maintenance	129	50	179	10	-	10	189	18,847
Dues and publications	19,771	7,665	27,436	2,066	-	2,066	29,502	43,485
Donated facilities (Note 21 and 8)	1,256,148	488,502	1,744,650	-	-	-	1,744,650	1,744,650
Depreciation (Note 6)	3,182	1,235	4,417	332	-	332	4,749	7,864
Occupancy (Note 8)	1,931,090	631,041	2,562,131	-	-	-	2,562,131	1,309,500
Miscellaneous	60	23	83	33,204	-	33,204	33,287	-
TOTAL EXPENSES	\$ 16,293,026	\$ 5,954,518	\$ 22,247,544	\$ 3,630,592	\$ 412,697	\$ 4,043,289	\$ 26,290,833	\$ 21,644,399

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

**DREAM CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	For the Year Ended June 30, 2020						Total 2020
	Program Services			Supporting Services			
	General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 7,051,920	\$ 2,697,453	\$ 9,749,373	\$ 894,293	\$ -	\$ 894,293	\$ 10,643,666
Fringe benefits and payroll taxes (Note 12)	1,505,341	570,204	2,075,545	205,276	-	205,276	2,280,821
Total Salaries and Related Costs	8,557,261	3,267,657	11,824,918	1,099,569	-	1,099,569	12,924,487
Instructors and tutors	39,161	14,484	53,645	-	-	-	53,645
Classroom supplies	203,732	75,353	279,085	-	-	-	279,085
Program food and events	26,484	9,765	36,249	-	-	-	36,249
Other student expenses	256,596	94,906	351,502	-	-	-	351,502
Contractual services (Note 8)	784,422	290,129	1,074,551	2,332,128	411,552	2,743,680	3,818,231
Consulting and professional	379,347	126,449	505,796	21,009	-	21,009	526,805
Telephone and internet	2,699	998	3,697	-	-	-	3,697
Communication and outreach	-	-	-	34,905	-	34,905	34,905
Professional development	153,340	58,084	211,424	20,910	-	20,910	232,334
Office and administration	170,996	64,772	235,768	23,345	-	23,345	259,113
Repairs and maintenance	12,586	4,753	17,339	1,508	-	1,508	18,847
Dues and publications	28,700	10,871	39,571	3,914	-	3,914	43,485
Donated facilities (Note 2I and 8)	1,273,594	471,056	1,744,650	-	-	-	1,744,650
Depreciation (Note 6)	5,190	1,966	7,156	708	-	708	7,864
Occupancy (Note 8)	955,935	353,565	1,309,500	-	-	-	1,309,500
Miscellaneous	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 12,850,043	\$ 4,844,808	\$ 17,694,851	\$ 3,537,996	\$ 411,552	\$ 3,949,548	\$ 21,644,399

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

**DREAM CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,431,305	\$ 651,106
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,749	7,864
Non-cash interest expense	25,276	-
Forgiveness of Paycheck Protection Program loan and related interest	<u>(2,239,222)</u>	<u>-</u>
	3,222,108	658,970
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	463,484	488,117
Government grants receivable	(935,728)	(273,950)
Prepaid expenses and other assets	165,735	(28,662)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	234,617	(125,906)
Due to institutional partner	189,323	(34,393)
Deferred rent	<u>(157,500)</u>	<u>(115,500)</u>
Net Cash Provided by Operating Activities	<u>3,182,039</u>	<u>568,676</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan payable	-	2,213,946
Proceeds from program related investment payable	<u>-</u>	<u>150,000</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>2,363,946</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	3,182,039	2,932,622
Cash and cash equivalents and restricted cash - beginning of year	<u>5,201,733</u>	<u>2,269,111</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 8,383,772</u>	<u>\$ 5,201,733</u>
The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position:		
Cash and cash equivalents	\$ 8,233,772	\$ 5,051,733
Restricted cash	<u>150,000</u>	<u>150,000</u>
	<u>\$ 8,383,772</u>	<u>\$ 5,201,733</u>

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

DREAM Charter School (the “School”) is a charter school operating in New York City. The School's mission is to prepare students for high-performing high schools, colleges and beyond through a rigorous academic program that develops critical thinkers who demonstrate a love of learning, strong character and a commitment to wellness and active citizenship. The School inspires all students to recognize their potential and realize their dreams. The School hopes to achieve these overarching goals through its pioneering, experiential-based educational program. This educational program is based on four foundations: (1) an innovative curriculum emphasizing integration across subject areas and learning through experimentation; (2) an extended day and year model, to maximize instructional hours; (3) a co-teaching model that reduces the teacher-to-student ratio and integrates special needs students into the general population and (4) active family engagement as a cornerstone of the school's overall culture and philosophy. This program is designed to set high standards for achievement and prepare students for high-performing high schools and colleges.

The School opened in September 2008 with 50 kindergarteners and 50 first graders. It currently serves 1053 youth in grades PreK-11th grade and serves youth in East Harlem and Mott Haven. Distinguishing features of the School include an inclusion method of co-teaching teams within each classroom and a Coordinated School Health Program as a fundamental component of the overall curriculum, culture and educational philosophy of the School. The ultimate goal of the School is to create a successful community-based education program for the youth of East Harlem.

The School is supported by its institutional partner, Harlem RBI d/b/a DREAM (“DREAM”), a youth development organization located in East Harlem, New York. DREAM brings the expertise of its Board of Directors, executive leadership and its development, finance and operations teams to bear on the School's needs. Three members of DREAM's Board of Directors serve on the School's Board of Trustees.

Effective October 5, 2018, the School was granted it's renewal and approval for the establishment of the DREAM Charter Schools Mott Haven and Highbridge by the SUNY Charter Schools Institute, The State of New York.

The School is organized under the Not-For-Profit Corporation Law of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – The School prepares its financial statements using the accrual basis of accounting. The School adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Basis of Presentation*** – The School reports information regarding its financial position and activities in two classes of net assets:
- Without donor restrictions – Net assets that can be spent at the discretion of the School and have no associated donor-imposed stipulations.
- With donor restrictions – Net assets that are restricted by the donor for a specific time period or purpose. The School did not have any net assets with donor restrictions to be held in perpetuity as of June 30, 2021 and 2020.
- C. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments purchased with maturities of 90 days or less.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. ***Contributions and Grants*** – Contributions and grants received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Conditional promises to give are recognized when they become unconditional, that is, when the conditions are substantially met. All contributions and grants receivable are expected to be collected within two years.

Government grants and contracts are nonexchange transactions and accounted for under ASU 2018-08. Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return/ release from obligation.

- E. ***Government Support*** – State and local per pupil revenue resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Performance obligations are determined based on the nature of the services provided by the School in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The School measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

The School's performance obligations are primarily satisfied over time during the course of an academic year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2021 and 2020. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The School determines the transaction price based on established per pupil reimbursement rate.

Revenue from federal, state and local government grants and contracts is recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which expenditures have not been incurred are reflected as refundable advances in the accompanying statements of financial position. Governmental grants are recognized as revenue when barriers within the contract are overcome and there is no longer a right of return. As of June 30, 2021 and 2020, the School received conditional grants and contracts from government agencies in the aggregate amount of approximately \$460,600 and \$0, respectively, that have not been recorded in the accompanying financial statements as they have not been earned. These grants and contracts require the School to provide certain services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the School may be required to return the funds already remitted. Grants and contracts amounted to \$6,080,950 and \$2,930,652 for the years ended June 30, 2021 and 2020, respectively.

- F. ***Grants and Contributions Receivable*** – Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. The School may provide an allowance for doubtful accounts for receivables. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions and creditworthiness of its donors and grantors. The School determined that no allowance for doubtful accounts was necessary as of June 30, 2021 and 2020.
- G. ***Property and Equipment*** – The School capitalizes property and equipment having a cost of \$1,000 or more and a useful life of at least one year. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. **Functional Allocation of Expenses** – The School allocates expenses on a functional basis among its programs and supporting services. Expenses that can be identified as belonging to a specific program and/or support service are allocated directly according to their natural expense classification. Salaries and fringe benefits and payroll taxes are allocated based on estimates of time and effort. Other expenses are directly allocated.
- I. **Donated Services and Facilities** – Donated services are recognized at fair value if they create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind. For each of the years ended June 30, 2021 and 2020, the School received donated use of services and facilities amounting to \$1,744,650, which is recorded as both revenue and expense in the accompanying financial statements.
- J. **Deferred Rent** – As further described in Note 8, the School has lease agreements for the rental of space for a high school and elementary school. In accordance with U.S. GAAP, the School recorded an adjustment to rent expense to reflect the difference between the rent paid and the average rent to be paid over the terms of the lease. This straight-lining of rent expense resulted in an decrease in occupancy expenses of \$157,500 for the year ended June 30, 2021 and a decrease of \$115,500 for the year ended June 30, 2020. This adjustment is reflected as deferred rent in the accompanying statements of financial position.
- K. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.
- L. **Recent Accounting Pronouncements** – *Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) FASB ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606)* was adopted by the School for the year ended June 30, 2021. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES TO MEET GENERAL EXPENDITURES

Financial assets as of June 30, 2021 and 2020, available for general expenditure, within one year of the statement of financial position date, without donor or other restrictions limiting their use, were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,233,772	\$ 5,051,733
Government grants receivable	1,575,728	640,000
Contributions receivable, net	<u>396,078</u>	<u>859,562</u>
Total financial assets	10,205,578	6,551,295
Less: net assets with donor restrictions	<u>(400,000)</u>	<u>(719,812)</u>
	<u>\$ 9,805,578</u>	<u>\$ 5,831,483</u>

The School’s management monitors levels of available financial assets to anticipate cash requirements for general expenditures as obligations becomes due. As part of the Schools’s liquidity management plan, the School invests cash in excess of daily requirements in short-term money market accounts. In addition, the School has access to a line of credit of \$1,000,000.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 – RESTRICTED CASH

The New York City Department of Education (the “NYCDOE”) requires the School to maintain funds in a separate cash account to have funds available to ensure an orderly liquidation, dissolution or transition process if the School’s charter were to be terminated or the School was closed for other reasons. Restricted cash amounted to \$150,000 as of both June 30, 2021 and 2020.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30:

	2021	2020
Due within 1 year	\$ 199,755	\$ 485,540
Due within 1 to 5 years	200,245	385,710
	400,000	871,250
Present value discount at 2.00%	(3,922)	(11,688)
	\$ 396,078	\$ 859,562

100% of contributions receivable as of June 30, 2021 and 2020 are from two donors.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2021	2020	Estimated Useful Lives
Equipment and computers	\$ 373,660	\$ 373,660	3 years
Furniture and fixtures	200,987	200,987	7 years
	574,647	574,647	
Less: accumulated depreciation	(564,736)	(559,987)	
Total	\$ 9,911	\$ 14,660	

Depreciation expense amounted to \$4,749 and \$7,864 for the years ended June 30, 2021 and 2020, respectively.

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. The term of the loan is two years which may be further extended to five years, and the loan bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. The School applied for this loan through an SBA authorized lender and received \$2,213,946, in April 2020.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE (Continued)

The School recognized the loan in accordance with Accounting Standards Codification ("ASC") 470, Accordingly, the proceeds of the PPP loan were recognized as loans payable on the accompanying statement of financial position as of June 30, 2021 and the School will derecognize the liability when and to the extent that the loan is forgiven or paid off.

In June 2021, the loan and the related accrued interest in the amounts of \$2,213,946 and \$25,276 respectively, were forgiven in whole. The total gain on forgiveness recognized in the amount of \$2,239,222, is presented on the statement of activities for the year ended June 30, 2021.

NOTE 8 – RELATED-PARTY TRANSACTIONS

The School has an Institutional Partnership Agreement (the "Agreement") with DREAM, which has common management. The Agreement serves as the foundation of the governance relationship between the School and DREAM and describes the exact nature and costs of DREAM's executive management and back office services to the School. Both the School's Board of Trustees and DREAM's Board of Directors have the option of severing the relationship between the two entities with agreed-upon notice, though the spirit of the partnership is unending. The Agreement is renewed annually by the Board of each entity. During the years ended June 30, 2021 and 2020, services provided and recognized as expense by the School under the Agreement amounted to \$5,151,313 and \$3,818,231, respectively.

As of June 30, 2021 and 2020, amounts due to DREAM from the School amounted to \$536,905 and \$347,582, respectively.

The School received the use of facilities without charge from DREAM, which was valued at approximately \$1,745,000 for each of the years ended June 30, 2021 and 2020.

During April 2017, DREAM entered into a lease agreement with a landlord and subsequently entered into a sublease agreement to lease the same space to the School for use as a new high school. During June 2019, DREAM entered into a lease agreement with a landlord and subsequently entered into a sublease agreement to lease the same space to the School for use as an elementary school. Rent expense amounted to \$2,562,131 and \$1,309,500 for the years ended June 30, 2021 and 2020, respectively. Approximate future annual minimum rentals related to the lease are as follows for the years ended subsequent to June 30, 2021:

2022	\$ 3,258,921
2023	<u>266,667</u>
	<u>\$ 3,525,588</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

- A. The School believes it had no uncertain tax positions as of June 30, 2021 and 2020, in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- B. Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowances of costs submitted for reimbursement by the School. 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.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

- C. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. COVID-19 disrupted activities of the School during the year ended June 30, 2021. The extent of the impact of any epidemic, pandemic or other health crisis on the School’s mission, financial condition and results of operations will depend on future developments, accordingly, the School cannot predict the extent to which its financial condition and results of operations will be affected. The School continues to monitor evolving economic and business conditions and the actual and potential impacts of COVID-19 on the School.
- D. The School had a line of credit with a bank, which has a variable interest equal to The Wall Street Journal Prime Rate, which is adjusted monthly. The line of credit expires on September 23, 2022. There were no amounts outstanding as of June 30, 2021. Subsequent to year end through October 28, 2021, there were no draws on the line of credit.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30:

	2021	2020
Time restricted	\$ 400,000	\$ 719,812
	\$ 400,000	\$ 719,812

During the years ended June 30, 2021 and 2020, the School met donor restrictions and released net assets with donor restrictions of \$323,734 and \$567,438, respectively.

NOTE 11 – CONCENTRATIONS

- A. The School receives a majority of its revenues from the New York State Education Department through the NYCDOE Office of Schools. The NYCDOE provides general operating support to the School based upon the location and the number of students enrolled. Funding from the NYCDOE amounted to approximately 65% and 76% of total revenue for the years ended June 30, 2021 and 2020, respectively. The School is dependent upon this level of funding in order to continue its operations.
- B. Cash accounts that potentially subject the School to a concentration of credit risk include cash accounts with two banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2021 and 2020, there was approximately \$7,914,000 and \$4,022,000, respectively, of cash and cash equivalents held by two banks that exceeded FDIC limits.

NOTE 12 – PENSION PLAN

The School has a tax deferred 403(b) retirement plan. All employees may participate by designating a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. During each of the years ended June 30, 2021 and 2020, the School contributed a 4% match for qualified participating staff members with one or more years of service. Employer contributions totaled \$181,423 and \$163,973 for the years ended June 30, 2021 and 2020, respectively.

NOTE 13 – PROGRAM RELATED INVESTMENT PAYABLE

On May 4, 2020, the School obtained a program related investment in the amount of \$150,000 from the Charter School Growth Fund. The balance is due back on November 30, 2021 and bears no interest.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through October 28, 2021, the date the financial statements were available to be issued.

**DREAM CHARTER SCHOOL
STATEMENT OF ACTIVITIES - BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2021**

	Mott Haven School			East Harlem School			Highbridge School			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total 2021
REVENUE, SUPPORT AND GAINS:												
Public school district: (Notes 2E and 11A)												
Tuition - general enrollment	\$ 2,012,553	\$ -	\$ 2,012,553	\$ 14,377,863	\$ -	\$ 14,377,863	\$ -	\$ -	\$ -	\$ 16,390,416	\$ -	\$ 16,390,416
Tuition - students with disabilities	297,337	-	297,337	3,979,233	-	3,979,233	-	-	-	4,276,570	-	4,276,570
Subtotal public school district revenue	2,309,890	-	2,309,890	18,357,096	-	18,357,096	-	-	-	20,666,986	-	20,666,986
Government grants (Note 2E)	1,406,665	-	1,406,665	3,884,885	-	3,884,885	789,400	-	789,400	6,080,950	-	6,080,950
Contributions (Note 2F)	325,000	-	325,000	642,157	3,922	646,079	-	-	-	967,157	3,922	971,079
Donated services and facilities (Note 2I and 8)	-	-	-	1,744,650	-	1,744,650	-	-	-	1,744,650	-	1,744,650
Interest and investment income	-	-	-	17,377	-	17,377	-	-	-	17,377	-	17,377
Forgiveness of Paycheck Protection Program (Note 7)	-	-	-	2,239,222	-	2,239,222	-	-	-	2,239,222	-	2,239,222
Other	-	-	-	1,874	-	1,874	-	-	-	1,874	-	1,874
Net assets released from restrictions (Note 10)	-	-	-	323,734	(323,734)	-	-	-	-	323,734	(323,734)	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>4,041,555</u>	<u>-</u>	<u>4,041,555</u>	<u>27,210,995</u>	<u>(319,812)</u>	<u>26,891,183</u>	<u>789,400</u>	<u>-</u>	<u>789,400</u>	<u>32,041,950</u>	<u>(319,812)</u>	<u>31,722,138</u>
EXPENSES (Note 2H):												
Program services:												
General education	2,120,417	-	2,120,417	14,172,609	-	14,172,609	-	-	-	16,293,026	-	16,293,026
Special education	504,072	-	504,072	5,450,446	-	5,450,446	-	-	-	5,954,518	-	5,954,518
Total program services	<u>2,624,489</u>	<u>-</u>	<u>2,624,489</u>	<u>19,623,055</u>	<u>-</u>	<u>19,623,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,247,544</u>	<u>-</u>	<u>22,247,544</u>
Supporting services:												
Management and general	168,707	-	168,707	2,672,485	-	2,672,485	789,400	-	789,400	3,630,592	-	3,630,592
Fundraising	-	-	-	412,697	-	412,697	-	-	-	412,697	-	412,697
Total supporting services	<u>168,707</u>	<u>-</u>	<u>168,707</u>	<u>3,085,182</u>	<u>-</u>	<u>3,085,182</u>	<u>789,400</u>	<u>-</u>	<u>789,400</u>	<u>4,043,289</u>	<u>-</u>	<u>4,043,289</u>
TOTAL EXPENSES	<u>2,793,196</u>	<u>-</u>	<u>2,793,196</u>	<u>22,708,237</u>	<u>-</u>	<u>22,708,237</u>	<u>789,400</u>	<u>-</u>	<u>789,400</u>	<u>26,290,833</u>	<u>-</u>	<u>26,290,833</u>
CHANGE IN NET ASSETS	1,248,359	-	1,248,359	4,502,758	(319,812)	4,182,946	-	-	-	5,751,117	(319,812)	5,431,305
Net Assets - Beginning of Year	127,125	-	127,125	2,847,837	719,812	3,567,649	-	-	-	2,974,962	719,812	3,694,774
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,375,484</u>	<u>\$ -</u>	<u>\$ 1,375,484</u>	<u>\$ 7,350,595</u>	<u>\$ 400,000</u>	<u>\$ 7,750,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,726,079</u>	<u>\$ 400,000</u>	<u>\$ 9,126,079</u>

**DREAM CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES - BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2021**

	Mott Haven School							East Harlem School						
	Program Services		Supporting Services					Program Services		Supporting Services				
	General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and wages	\$ 1,017,788	\$ 268,097	\$ 1,285,885	\$ 116,237	\$ -	\$ 116,237	\$ 1,402,122	\$ 7,213,567	\$ 2,745,640	\$ 9,959,207	\$ 786,583	\$ -	\$ 786,583	\$ 10,745,790
Fringe benefits and payroll taxes (Note 12)	236,248	61,489	297,737	25,890	-	25,890	323,627	1,603,153	622,119	2,225,272	167,494	-	167,494	2,392,766
Total Salaries and Related Costs	1,254,036	329,586	1,583,622	142,127	-	142,127	1,725,749	8,816,720	3,367,759	12,184,479	954,077	-	954,077	13,138,556
Instructors and tutors	-	-	-	-	-	-	-	79,565	30,942	110,507	-	-	-	110,507
Classroom supplies	29,533	5,625	35,158	-	-	-	35,158	192,082	74,698	266,780	-	-	-	266,780
Program food and events	-	-	-	-	-	-	-	34,111	13,265	47,376	-	-	-	47,376
Other student expenses	18,877	3,596	22,473	-	-	-	22,473	91,360	35,529	126,889	-	-	-	126,889
Contractual services (Note 8)	-	-	-	-	-	-	-	1,728,000	672,000	2,400,000	1,549,216	412,697	1,961,913	4,361,913
Consulting and professional	77,934	14,845	92,779	-	-	-	92,779	457,025	177,732	634,757	68,339	-	68,339	703,096
Telephone and internet	-	-	-	-	-	-	-	1,981	770	2,751	-	-	-	2,751
Communication and outreach	-	-	-	11,008	-	11,008	11,008	-	-	-	47,784	-	47,784	47,784
Professional development	36,455	9,488	45,943	3,995	-	3,995	49,938	58,956	22,878	81,834	6,160	-	6,160	87,994
Office and administration	99,038	25,777	124,815	11,018	-	11,018	135,833	106,973	41,512	148,485	11,856	-	11,856	160,341
Repairs and maintenance	-	-	-	-	-	-	-	129	50	179	10	-	10	189
Dues and publications	54	14	68	6	-	6	74	19,717	7,651	27,368	2,060	-	2,060	29,428
Donated facilities (Note 2I and 8)	-	-	-	-	-	-	-	1,256,148	488,502	1,744,650	-	-	-	1,744,650
Depreciation (Note 6)	-	-	-	-	-	-	-	3,182	1,235	4,417	332	-	332	4,749
Occupancy (Note 8)	604,490	115,141	719,631	-	-	-	719,631	1,326,600	515,900	1,842,500	-	-	-	1,842,500
Miscellaneous	-	-	-	553	-	553	553	60	23	83	32,651	-	32,651	32,734
TOTAL EXPENSES	\$ 2,120,417	\$ 504,072	\$ 2,624,489	\$ 168,707	\$ -	\$ 168,707	\$ 2,793,196	\$ 14,172,609	\$ 5,450,446	\$ 19,623,055	\$ 2,672,485	\$ 412,697	\$ 3,085,182	\$ 22,708,237

**DREAM CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES - BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2021**

Highbridge School							Total						
Program Services			Supporting Services				Program Services			Supporting Services			
General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,231,355	\$ 3,013,737	\$ 11,245,092	\$ 902,820	\$ -	\$ 902,820	\$ 12,147,912
-	-	-	-	-	-	-	1,839,401	683,608	2,523,009	193,384	-	193,384	2,716,393
-	-	-	-	-	-	-	10,070,756	3,697,345	13,768,101	1,096,204	-	1,096,204	14,864,305
-	-	-	-	-	-	-	79,565	30,942	110,507	-	-	-	110,507
-	-	-	-	-	-	-	221,615	80,323	301,938	-	-	-	301,938
-	-	-	-	-	-	-	34,111	13,265	47,376	-	-	-	47,376
-	-	-	-	-	-	-	110,237	39,125	149,362	-	-	-	149,362
-	-	-	789,400	-	789,400	789,400	1,728,000	672,000	2,400,000	2,338,616	412,697	2,751,313	5,151,313
-	-	-	-	-	-	-	534,959	192,577	727,536	68,339	-	68,339	795,875
-	-	-	-	-	-	-	1,981	770	2,751	-	-	-	2,751
-	-	-	-	-	-	-	-	-	-	58,792	-	58,792	58,792
-	-	-	-	-	-	-	95,411	32,366	127,777	10,155	-	10,155	137,932
-	-	-	-	-	-	-	206,011	67,289	273,300	22,874	-	22,874	296,174
-	-	-	-	-	-	-	129	50	179	10	-	10	189
-	-	-	-	-	-	-	19,771	7,665	27,436	2,066	-	2,066	29,502
-	-	-	-	-	-	-	1,256,148	488,502	1,744,650	-	-	-	1,744,650
-	-	-	-	-	-	-	3,182	1,235	4,417	332	-	332	4,749
-	-	-	-	-	-	-	1,931,090	631,041	2,562,131	-	-	-	2,562,131
-	-	-	-	-	-	-	60	23	83	33,204	-	33,204	33,287
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 789,400</u>	<u>\$ -</u>	<u>\$ 789,400</u>	<u>\$ 789,400</u>	<u>\$ 16,293,026</u>	<u>\$ 5,954,518</u>	<u>\$ 22,247,544</u>	<u>\$ 3,630,592</u>	<u>\$ 412,697</u>	<u>\$ 4,043,289</u>	<u>\$ 26,290,833</u>

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

To the Board of Trustees of
Dream 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 Dream Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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.

Marks Paneth LLP

New York, NY
October 28, 2021