

**Dream Charter School**



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

**Years Ended June 30, 2022 and 2021**

**DREAM CHARTER SCHOOL**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**and**  
**Report Required by *Government Auditing Standards***  
**YEARS ENDED JUNE 30, 2022 AND 2021**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees of  
Dream Charter School

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Dream Charter School (the "School"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022, and the changes in its net assets and its 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 of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Report on 2021 Financial Statements**

The financial statements of the School as of and for the year ended June 30, 2021 were audited by Marks Paneth LLP whose report dated October 28, 2021 expressed an unmodified opinion on these statements.

### **Responsibilities of Management for the Financial Statements**

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

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



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 16-17, for the year ended June 30, 2022, is presented for purposes of additional analysis. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



The supplementary information as of and for the year ended June 30, 2021 was subjected to the auditing procedures applied in the June 30, 2021 audit of the basic financial statements by Marks Paneth LLP, whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2021 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 31, 2022, 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 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.

*Mayer Hoffman McCann CPAs*

New York, NY  
October 31, 2022

**DREAM CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 11B)	\$ 7,740,899	\$ 8,233,772
Government grants receivable (Note 2F)	1,017,040	1,575,728
Contributions receivable, net (Notes 2F and 5)	499,239	396,078
Prepaid expenses and other assets	281,306	34,553
Restricted cash (Note 4)	175,000	150,000
Property and equipment, net (Notes 2G and 6)	<u>21,132</u>	<u>9,911</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,734,616</u>	<u>\$ 10,400,042</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 154,372	\$ 277,308
Due to institutional partner (Note 8)	487,901	536,905
Program related investment payable (Note 13)	-	150,000
Deferred rent (Notes 2J and 8)	<u>47,250</u>	<u>309,750</u>
<b>TOTAL LIABILITIES</b>	<u>689,523</u>	<u>1,273,963</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Notes 8 and 9)		
<b>NET ASSETS</b> (Note 2B)		
Without donor restrictions	8,547,054	8,726,079
With donor restrictions (Note 10)	<u>498,039</u>	<u>400,000</u>
<b>TOTAL NET ASSETS</b>	<u>9,045,093</u>	<u>9,126,079</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,734,616</u>	<u>\$ 10,400,042</u>

**DREAM CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2022 and 2021**

	For the Year Ended June 30, 2022			For the Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
<b>PUBLIC SUPPORT AND REVENUE:</b>						
Public school district: (Notes 2E and 11A)						
Tuition - general enrollment	\$ 18,763,141	\$ -	\$ 18,763,141	\$ 16,390,416	\$ -	\$ 16,390,416
Tuition - students with disabilities	<u>4,971,978</u>	<u>-</u>	<u>4,971,978</u>	<u>4,276,570</u>	<u>-</u>	<u>4,276,570</u>
Subtotal public school district revenue	23,735,119	-	23,735,119	20,666,986	-	20,666,986
Government grants (Note 2E)	7,834,058	-	7,834,058	6,080,950	-	6,080,950
Contributions (Note 2F)	1,909,380	200,000	2,109,380	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	12,776	-	12,776	17,377	-	17,377
Forgiveness of Paycheck Protection Program (Note 7)	-	-	-	2,239,222	-	2,239,222
Other	9,966	-	9,966	1,874	-	1,874
Net assets released from restrictions (Note 10)	<u>101,961</u>	<u>(101,961)</u>	<u>-</u>	<u>323,734</u>	<u>(323,734)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>35,347,910</u>	<u>98,039</u>	<u>35,445,949</u>	<u>32,041,950</u>	<u>(319,812)</u>	<u>31,722,138</u>
<b>EXPENSES (Note 2H):</b>						
Program services:						
General education	21,346,783	-	21,346,783	16,293,026	-	16,293,026
Special education	<u>8,153,304</u>	<u>-</u>	<u>8,153,304</u>	<u>5,954,518</u>	<u>-</u>	<u>5,954,518</u>
Total program services	29,500,087	-	29,500,087	22,247,544	-	22,247,544
Supporting services:						
Management and general	5,370,555	-	5,370,555	3,630,592	-	3,630,592
Fundraising	<u>656,293</u>	<u>-</u>	<u>656,293</u>	<u>412,697</u>	<u>-</u>	<u>412,697</u>
Total supporting services	6,026,848	-	6,026,848	4,043,289	-	4,043,289
<b>TOTAL EXPENSES</b>	<u>35,526,935</u>	<u>-</u>	<u>35,526,935</u>	<u>26,290,833</u>	<u>-</u>	<u>26,290,833</u>
<b>CHANGE IN NET ASSETS</b>	(179,025)	98,039	(80,986)	5,751,117	(319,812)	5,431,305
Net Assets - Beginning 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>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 8,547,054</u>	<u>\$ 498,039</u>	<u>\$ 9,045,093</u>	<u>\$ 8,726,079</u>	<u>\$ 400,000</u>	<u>\$ 9,126,079</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, 2022**  
**(With Comparative Totals for the Year Ended June 30, 2021)**

	For the Year Ended June 30, 2022							
	Program Services			Supporting Services			Total 2022	Total 2021
	General Education	Special Education	Total Program Services	Management and General	Fundraising	Supporting Services		
Salaries and wages	\$ 10,238,956	\$ 3,872,867	\$ 14,111,823	\$ 1,169,934	\$ -	\$ 1,169,934	\$ 15,281,757	\$ 12,147,912
Fringe benefits and payroll taxes (Note 12)	<u>2,178,551</u>	<u>812,714</u>	<u>2,991,265</u>	<u>261,071</u>	<u>-</u>	<u>261,071</u>	<u>3,252,336</u>	<u>2,716,393</u>
<b>Total Salaries and Related Costs</b>	12,417,507	4,685,581	17,103,088	1,431,005	-	1,431,005	18,534,093	14,864,305
Instructors and tutors	112,823	43,875	156,698	-	-	-	156,698	110,507
Classroom supplies	311,155	121,005	432,160	-	-	-	432,160	301,938
Program food and events	92,259	35,878	128,137	-	-	-	128,137	47,376
Other student expenses	334,138	129,943	464,081	-	-	-	464,081	149,362
Contractual services (Note 8)	2,772,000	1,078,000	3,850,000	3,718,993	656,293	4,375,286	8,225,286	5,151,313
Consulting and professional	735,241	285,927	1,021,168	46,312	-	46,312	1,067,480	795,875
Telephone and internet	6,803	2,646	9,449	-	-	-	9,449	2,751
Communication and outreach	-	-	-	88,199	-	88,199	88,199	58,792
Professional development	168,492	62,878	231,370	20,161	-	20,161	251,531	137,932
Office and administration	194,127	74,004	268,131	36,833	-	36,833	304,964	296,174
Insurance	77,158	30,006	107,164	17,011	-	17,011	124,175	-
Repairs and maintenance	10,050	3,863	13,913	565	-	565	14,478	189
Dues and publications	35,568	13,276	48,844	4,271	-	4,271	53,115	29,502
Donated facilities (Note 21 and 8)	1,256,148	488,502	1,744,650	-	-	-	1,744,650	1,744,650
Depreciation (Note 6)	2,214	826	3,040	264	-	264	3,304	4,749
Occupancy (Note 8)	2,799,000	1,088,500	3,887,500	-	-	-	3,887,500	2,562,131
Miscellaneous	<u>22,100</u>	<u>8,594</u>	<u>30,694</u>	<u>6,941</u>	<u>-</u>	<u>6,941</u>	<u>37,635</u>	<u>33,287</u>
<b>TOTAL EXPENSES</b>	<u>\$ 21,346,783</u>	<u>\$ 8,153,304</u>	<u>\$ 29,500,087</u>	<u>\$ 5,370,555</u>	<u>\$ 656,293</u>	<u>\$ 6,026,848</u>	<u>\$ 35,526,935</u>	<u>\$ 26,290,833</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**

	<b>Program Services</b>			<b>Supporting Services</b>			
	<b>General Education</b>	<b>Special Education</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total</b>
Salaries and wages	\$ 8,231,355	\$ 3,013,737	\$ 11,245,092	\$ 902,820	\$ -	\$ 902,820	\$ 12,147,912
Fringe benefits and payroll taxes (Note 12)	<u>1,839,401</u>	<u>683,608</u>	<u>2,523,009</u>	<u>193,384</u>	<u>-</u>	<u>193,384</u>	<u>2,716,393</u>
<b>Total Salaries and Related Costs</b>	10,070,756	3,697,345	13,768,101	1,096,204	-	1,096,204	14,864,305
Instructors and tutors	79,565	30,942	110,507	-	-	-	110,507
Classroom supplies	221,615	80,323	301,938	-	-	-	301,938
Program food and events	34,111	13,265	47,376	-	-	-	47,376
Other student expenses	110,237	39,125	149,362	-	-	-	149,362
Contractual services (Note 8)	1,728,000	672,000	2,400,000	2,338,616	412,697	2,751,313	5,151,313
Consulting and professional	534,959	192,577	727,536	68,339	-	68,339	795,875
Telephone and internet	1,981	770	2,751	-	-	-	2,751
Communication and outreach	-	-	-	58,792	-	58,792	58,792
Professional development	95,411	32,366	127,777	10,155	-	10,155	137,932
Office and administration	206,011	67,289	273,300	22,874	-	22,874	296,174
Repairs and maintenance	129	50	179	10	-	10	189
Dues and publications	19,771	7,665	27,436	2,066	-	2,066	29,502
Donated facilities (Note 21 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)	1,931,090	631,041	2,562,131	-	-	-	2,562,131
Miscellaneous	<u>60</u>	<u>23</u>	<u>83</u>	<u>33,204</u>	<u>-</u>	<u>33,204</u>	<u>33,287</u>
<b>TOTAL EXPENSES</b>	<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>

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

**DREAM CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (80,986)	\$ 5,431,305
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,304	4,749
Non-cash interest expense	-	25,276
Forgiveness of Paycheck Protection Program loan and related interest	-	(2,239,222)
	<u>(77,682)</u>	<u>3,222,108</u>
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(103,161)	463,484
Government grants receivable	558,688	(935,728)
Prepaid expenses and other assets	(246,753)	165,735
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(122,936)	234,617
Due to institutional partner	(49,004)	189,323
Deferred rent	(262,500)	(157,500)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>(303,348)</u>	<u>3,182,039</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(14,525)	-
<b>Net Cash Used in Investing Activities</b>	<u>(14,525)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of program related investment payable	(150,000)	-
<b>Net Cash Used in Financing Activities</b>	<u>(150,000)</u>	<u>-</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>(467,873)</u>	<u>3,182,039</u>
Cash and cash equivalents and restricted cash - beginning of year	<u>8,383,772</u>	<u>5,201,733</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 7,915,899</u>	<u>\$ 8,383,772</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	\$ 7,740,899	\$ 8,233,772
Restricted cash	<u>175,000</u>	<u>150,000</u>
	<u>\$ 7,915,899</u>	<u>\$ 8,383,772</u>

**DREAM CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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 1,130 youth in grades PreK-12th 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 and the South Bronx.

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 its 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, 2022 and 2021.
- 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, 2022 AND 2021**

**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 & Tuition Revenue*** – 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, 2022 and 2021. 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, 2022 and 2021, the School received conditional grants and contracts from government agencies in the aggregate amount of approximately \$0 and \$460,600, 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. Government grants amounted to \$7,834,058 and \$6,080,950 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021.
- 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, 2022 AND 2021**

**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.

Donated facilities for each of the years ended June 30, 2022 and 2021 consisted of the following:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Rent	\$ 1,744,650	Program	No associated donor restriction	Based on market price

- 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 a decrease in occupancy expenses of \$262,500 and \$157,500 for the years ended June 30, 2022 and 2021, respectively. 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** – FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) was adopted for the year ended June 30, 2022. The core guidance is to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure, as further described in Notes 2I.

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

Financial assets as of June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,740,899	\$ 8,233,772
Government grants receivable	1,017,040	1,575,728
Contributions receivable, net	<u>499,239</u>	<u>396,078</u>
Total financial assets	9,257,178	10,205,578
Less: net assets with donor restrictions	<u>(498,039)</u>	<u>(400,000)</u>
	<u>\$ 8,759,139</u>	<u>\$ 9,805,578</u>

**DREAM CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES TO MEET GENERAL EXPENDITURES  
(Continued)**

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 School'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.

**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 \$175,000 and \$150,000 as of June 30, 2022 and 2021, respectively.

**NOTE 5 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Due within 1 year	\$ 300,000	\$ 199,755
Due within 1 to 5 years	<u>201,200</u>	<u>200,245</u>
	501,200	400,000
Present value discount at 2.00%	<u>(1,961)</u>	<u>(3,922)</u>
	<u>\$ 499,239</u>	<u>\$ 396,078</u>

100% of contributions receivable as of June 30, 2022 and 2021, are from two donors.

**NOTE 6 – PROPERTY AND EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Equipment and computers	\$ 373,660	\$ 373,660	3 years
Furniture and fixtures	<u>215,512</u>	<u>200,987</u>	7 years
	589,172	574,647	
Less: accumulated depreciation	<u>(568,040)</u>	<u>(564,736)</u>	
Total	<u>\$ 21,132</u>	<u>\$ 9,911</u>	

Depreciation expense amounted to \$3,304 and \$4,749 for the years ended June 30, 2022 and 2021, respectively.

**DREAM CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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”). 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 was two years, and the loan incurred interest at a fixed rate of 1% per annum. The School applied for this loan through an SBA authorized lender and received \$2,213,946, in April 2020.

The School recognized the loan in accordance with Accounting Standards Codification (“ASC”) 470. 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 accompanying 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, 2022 and 2021, services provided and recognized as expense by the School under the Agreement amounted to \$8,225,286 and \$5,151,313, respectively.

As of June 30, 2022 and 2021, amounts due to DREAM from the School amounted to \$487,901 and \$536,905, 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, 2022 and 2021.

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 \$3,887,500 and \$2,562,131 for the years ended June 30, 2022 and 2021, respectively. Approximate future annual minimum rentals related to the lease are as follows for the years ended subsequent to June 30, 2022:

2023	\$ <u>266,667</u>
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**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

- A. The School believes it had no uncertain tax positions as of June 30, 2022 and 2021, 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, 2022 AND 2021**

**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, 2022. 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 expired on September 23, 2022, as of October 31, 2022, the line of credit has not been renewed. There were no amounts outstanding as of June 30, 2022. Subsequent to year end through October 31, 2022, 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:

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 498,039	\$ 400,000
	<u>\$ 498,039</u>	<u>\$ 400,000</u>

During the years ended June 30, 2022 and 2021, the School met donor restrictions and released net assets with donor restrictions of \$101,961 and \$323,734, 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 67% and 65% of total revenue for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, there was approximately \$9,121,000 and \$7,914,000, 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, 2022 and 2021, the School contributed a 4% match for qualified participating staff members with one or more years of service. Employer contributions totaled \$165,644 and \$181,423 for the years ended June 30, 2022 and 2021, 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 was paid on November 18, 2021.



**DREAM CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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 31, 2022, the date the financial statements were available to be issued.

**DREAM CHARTER SCHOOL  
STATEMENT OF ACTIVITIES - BY SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2022**

	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
<b>REVENUE, SUPPORT AND GAINS:</b>												
Public school district:												
Tuition - general enrollment	\$ 4,031,611	\$ -	\$ 4,031,611	\$ 14,731,530	\$ -	\$ 14,731,530	\$ -	\$ -	\$ -	\$ 18,763,141	\$ -	\$ 18,763,141
Tuition - students with disabilities	<u>827,847</u>	<u>-</u>	<u>827,847</u>	<u>4,144,131</u>	<u>-</u>	<u>4,144,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,971,978</u>	<u>-</u>	<u>4,971,978</u>
Subtotal public school district revenue	4,859,458	-	4,859,458	18,875,661	-	18,875,661	-	-	-	23,735,119	-	23,735,119
Government grants	2,504,002	-	2,504,002	5,115,021	-	5,115,021	215,035	-	215,035	7,834,058	-	7,834,058
Contributions	-	-	-	1,909,380	200,000	2,109,380	-	-	-	1,909,380	200,000	2,109,380
Donated services and facilities	-	-	-	1,744,650	-	1,744,650	-	-	-	1,744,650	-	1,744,650
Interest and investment income	-	-	-	12,776	-	12,776	-	-	-	12,776	-	12,776
Other	-	-	-	9,966	-	9,966	-	-	-	9,966	-	9,966
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,961</u>	<u>(101,961)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,961</u>	<u>(101,961)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>7,363,460</u>	<u>-</u>	<u>7,363,460</u>	<u>27,769,415</u>	<u>98,039</u>	<u>27,867,454</u>	<u>215,035</u>	<u>-</u>	<u>215,035</u>	<u>35,347,910</u>	<u>98,039</u>	<u>35,445,949</u>
<b>EXPENSES:</b>												
Program services:												
General education	4,463,951	-	4,463,951	16,817,911	-	16,817,911	64,921	-	64,921	21,346,783	-	21,346,783
Special education	<u>1,703,934</u>	<u>-</u>	<u>1,703,934</u>	<u>6,427,729</u>	<u>-</u>	<u>6,427,729</u>	<u>21,641</u>	<u>-</u>	<u>21,641</u>	<u>8,153,304</u>	<u>-</u>	<u>8,153,304</u>
Total program services	<u>6,167,885</u>	<u>-</u>	<u>6,167,885</u>	<u>23,245,640</u>	<u>-</u>	<u>23,245,640</u>	<u>86,562</u>	<u>-</u>	<u>86,562</u>	<u>29,500,087</u>	<u>-</u>	<u>29,500,087</u>
Supporting services:												
Management and general	339,776	-	339,776	5,009,138	-	5,009,138	21,641	-	21,641	5,370,555	-	5,370,555
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>656,293</u>	<u>-</u>	<u>656,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>656,293</u>	<u>-</u>	<u>656,293</u>
Total supporting services	<u>339,776</u>	<u>-</u>	<u>339,776</u>	<u>5,665,431</u>	<u>-</u>	<u>5,665,431</u>	<u>21,641</u>	<u>-</u>	<u>21,641</u>	<u>6,026,848</u>	<u>-</u>	<u>6,026,848</u>
<b>TOTAL EXPENSES</b>	<u>6,507,661</u>	<u>-</u>	<u>6,507,661</u>	<u>28,911,071</u>	<u>-</u>	<u>28,911,071</u>	<u>108,203</u>	<u>-</u>	<u>108,203</u>	<u>35,526,935</u>	<u>-</u>	<u>35,526,935</u>
<b>CHANGE IN NET ASSETS</b>	855,799	-	855,799	(1,141,656)	98,039	(1,043,617)	106,832	-	106,832	(179,025)	98,039	(80,986)
Net Assets - Beginning 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>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u>\$ 2,231,283</u>	<u>\$ -</u>	<u>\$ 2,231,283</u>	<u>\$ 6,208,939</u>	<u>\$ 498,039</u>	<u>\$ 6,706,978</u>	<u>\$ 106,832</u>	<u>\$ -</u>	<u>\$ 106,832</u>	<u>\$ 8,547,054</u>	<u>\$ 498,039</u>	<u>\$ 9,045,093</u>

DREAM CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES- BY SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2022

	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	\$ 2,175,135	\$ 820,727	\$ 2,995,862	\$ 261,754	\$ -	\$ 261,754	\$ 3,257,616	\$ 8,003,321	\$ 3,031,973	\$ 11,035,294	\$ 888,013	\$ -	\$ 888,013	\$ 11,923,307
Fringe benefits and payroll taxes	478,984	178,725	657,709	57,192	-	57,192	714,901	1,695,146	632,515	2,327,661	202,405	-	202,405	2,530,066
<b>Total Salaries and Related Costs</b>	2,654,119	999,452	3,653,571	318,946	-	318,946	3,972,517	9,698,467	3,664,488	13,362,955	1,090,418	-	1,090,418	14,453,373
Instructors and tutors	-	-	-	-	-	-	-	112,823	43,875	156,698	-	-	-	156,698
Classroom supplies	65,985	25,661	91,646	-	-	-	91,646	245,170	95,344	340,514	-	-	-	340,514
Program food and events	11,297	4,393	15,690	-	-	-	15,690	80,962	31,485	112,447	-	-	-	112,447
Other student expenses	86,816	33,762	120,578	-	-	-	120,578	247,322	96,181	343,503	-	-	-	343,503
Contractual services	-	-	-	-	-	-	-	2,772,000	1,078,000	3,850,000	3,718,993	656,293	4,375,286	8,225,286
Consulting and professional	218,129	84,828	302,957	3,430	-	3,430	306,387	517,112	201,099	718,211	42,882	-	42,882	761,093
Telephone and internet	-	-	-	-	-	-	-	6,803	2,646	9,449	-	-	-	9,449
Communication and outreach	-	-	-	-	-	-	-	-	-	-	88,199	-	88,199	88,199
Professional development	293	117	410	78	-	78	488	168,199	62,761	230,960	20,083	-	20,083	251,043
Office and administration	58,356	23,343	81,699	15,562	-	15,562	97,261	135,771	50,661	186,432	21,271	-	21,271	207,703
Insurance	-	-	-	-	-	-	-	77,158	30,006	107,164	17,011	-	17,011	124,175
Repairs and maintenance	793	313	1,106	107	-	107	1,213	9,257	3,550	12,807	458	-	458	13,265
Dues and publications	163	65	228	43	-	43	271	35,405	13,211	48,616	4,228	-	4,228	52,844
Donated facilities	-	-	-	-	-	-	-	1,256,148	488,502	1,744,650	-	-	-	1,744,650
Depreciation	-	-	-	-	-	-	-	2,214	826	3,040	264	-	264	3,304
Occupancy	1,368,000	532,000	1,900,000	-	-	-	1,900,000	1,431,000	556,500	1,987,500	-	-	-	1,987,500
Miscellaneous	-	-	-	1,610	-	1,610	1,610	22,100	8,594	30,694	5,331	-	5,331	36,025
<b>TOTAL EXPENSES</b>	<b>\$ 4,463,951</b>	<b>\$ 1,703,934</b>	<b>\$ 6,167,885</b>	<b>\$ 339,776</b>	<b>\$ -</b>	<b>\$ 339,776</b>	<b>\$ 6,507,661</b>	<b>\$ 16,817,911</b>	<b>\$ 6,427,729</b>	<b>\$ 23,245,640</b>	<b>\$ 5,009,138</b>	<b>\$ 656,293</b>	<b>\$ 5,665,431</b>	<b>\$ 28,911,071</b>

DREAM CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES- BY SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2022

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
\$ 60,500	\$ 20,167	\$ 80,667	\$ 20,167	\$ -	\$ 20,167	\$ 100,834	\$ 10,238,956	\$ 3,872,867	\$ 14,111,823	\$ 1,169,934	\$ -	\$ 1,169,934	\$ 15,281,757
4,421	1,474	5,895	1,474	-	1,474	7,369	2,178,551	812,714	2,991,265	261,071	-	261,071	3,252,336
64,921	21,641	86,562	21,641	-	21,641	108,203	12,417,507	4,685,581	17,103,088	1,431,005	-	1,431,005	18,534,093
-	-	-	-	-	-	-	112,823	43,875	156,698	-	-	-	156,698
-	-	-	-	-	-	-	311,155	121,005	432,160	-	-	-	432,160
-	-	-	-	-	-	-	92,259	35,878	128,137	-	-	-	128,137
-	-	-	-	-	-	-	334,138	129,943	464,081	-	-	-	464,081
-	-	-	-	-	-	-	2,772,000	1,078,000	3,850,000	3,718,993	656,293	4,375,286	8,225,286
-	-	-	-	-	-	-	735,241	285,927	1,021,168	46,312	-	46,312	1,067,480
-	-	-	-	-	-	-	6,803	2,646	9,449	-	-	-	9,449
-	-	-	-	-	-	-	-	-	-	88,199	-	88,199	88,199
-	-	-	-	-	-	-	168,492	62,878	231,370	20,161	-	20,161	251,531
-	-	-	-	-	-	-	194,127	74,004	268,131	36,833	-	36,833	304,964
-	-	-	-	-	-	-	77,158	30,006	107,164	17,011	-	17,011	124,175
-	-	-	-	-	-	-	10,050	3,863	13,913	565	-	565	14,478
-	-	-	-	-	-	-	35,568	13,276	48,844	4,271	-	4,271	53,115
-	-	-	-	-	-	-	1,256,148	488,502	1,744,650	-	-	-	1,744,650
-	-	-	-	-	-	-	2,214	826	3,040	264	-	264	3,304
-	-	-	-	-	-	-	2,799,000	1,088,500	3,887,500	-	-	-	3,887,500
-	-	-	-	-	-	-	22,100	8,594	30,694	6,941	-	6,941	37,635
\$ 64,921	\$ 21,641	\$ 86,562	\$ 21,641	\$ -	\$ 21,641	\$ 108,203	\$ 21,346,783	\$ 8,153,304	\$ 29,500,087	\$ 5,370,555	\$ 656,293	\$ 6,026,848	\$ 35,526,935



**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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

*Mayer Hoffman McCann CPAs*

New York, NY  
October 31, 2022