

Dream Charter School



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

Years Ended June 30, 2023 and 2022

DREAM CHARTER SCHOOL
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)
and
Reports Required by *Government Auditing Standards*
YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Dream Charter School
New York, NY

Opinion

We have audited the financial statements of Dream Charter School (the "School"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2M to the financial statements, the School changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

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.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 17-18, for the year ended June 30, 2023, is presented for purposes of additional analysis 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 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 GAAS. In our opinion, the 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 31, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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, 2023

**DREAM CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022**

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents (Notes 2C and 12B) | \$ 6,794,052 | \$ 7,740,899 |
| Investments (Notes 2G and 6) | 2,439,941 | - |
| Government grants receivable (Note 2F) | 932,456 | 1,017,040 |
| Contributions receivable, net (Notes 2D, 2F and 5) | 298,039 | 499,239 |
| Prepaid expenses and other assets | 257,389 | 281,306 |
| Restricted cash (Note 4) | 175,000 | 175,000 |
| Operating lease right-of-use asset (Note 9) | 174,887,182 | - |
| Property and equipment, net (Notes 2H and 7) | <u>1,562,080</u> | <u>21,132</u> |
| TOTAL ASSETS | <u>\$ 187,346,139</u> | <u>\$ 9,734,616</u> |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 761,254 | \$ 154,372 |
| Due to institutional partner (Note 8) | 748,839 | 487,901 |
| Program related investment payable (Note 14) | 200,000 | - |
| Lease liability (Note 9) | 179,518,240 | - |
| Deferred rent (Note 2K) | <u>-</u> | <u>47,250</u> |
| TOTAL LIABILITIES | <u>181,228,333</u> | <u>689,523</u> |
| COMMITMENTS AND CONTINGENCIES (Note 10) | | |
| NET ASSETS (Note 2B) | | |
| Without donor restrictions | 6,019,767 | 8,547,054 |
| With donor restrictions (Note 11) | <u>98,039</u> | <u>498,039</u> |
| TOTAL NET ASSETS | <u>6,117,806</u> | <u>9,045,093</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 187,346,139</u> | <u>\$ 9,734,616</u> |

**DREAM CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

| | For the Year Ended June 30, 2023 | | | For the Year Ended June 30, 2022 | | |
|--|----------------------------------|----------------------------|---------------------|----------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total 2023 | Without Donor Restrictions | With Donor Restrictions | Total 2022 |
| PUBLIC SUPPORT AND REVENUE: | | | | | | |
| Public school district: (Notes 2E and 12A) | | | | | | |
| Tuition - general enrollment | \$ 23,438,524 | \$ - | \$ 23,438,524 | \$ 18,763,141 | \$ - | \$ 18,763,141 |
| Tuition - students with disabilities | <u>5,582,023</u> | <u>-</u> | <u>5,582,023</u> | <u>4,971,978</u> | <u>-</u> | <u>4,971,978</u> |
| Subtotal public school district revenue | 29,020,547 | - | 29,020,547 | 23,735,119 | - | 23,735,119 |
| Government grants (Note 2E) | 9,969,453 | - | 9,969,453 | 7,834,058 | - | 7,834,058 |
| Contributions (Notes 2D and 2F) | 3,026,028 | - | 3,026,028 | 1,909,380 | 200,000 | 2,109,380 |
| Donated services and facilities (Notes 2J and 8) | 2,093,580 | - | 2,093,580 | 1,744,650 | - | 1,744,650 |
| Interest and dividends (Notes 2G and 6) | 138,110 | - | 138,110 | 12,776 | - | 12,776 |
| Unrealized loss on investments (Notes 2G and 6) | (45,684) | - | (45,684) | - | - | - |
| Other | 51,587 | - | 51,587 | 9,966 | - | 9,966 |
| Net assets released from restrictions (Note 11) | <u>400,000</u> | <u>(400,000)</u> | <u>-</u> | <u>101,961</u> | <u>(101,961)</u> | <u>-</u> |
| TOTAL PUBLIC SUPPORT AND REVENUE | <u>44,653,621</u> | <u>(400,000)</u> | <u>44,253,621</u> | <u>35,347,910</u> | <u>98,039</u> | <u>35,445,949</u> |
| EXPENSES (Note 2I): | | | | | | |
| Program services: | | | | | | |
| General education | 28,071,876 | - | 28,071,876 | 21,346,783 | - | 21,346,783 |
| Special education | <u>9,944,064</u> | <u>-</u> | <u>9,944,064</u> | <u>8,153,304</u> | <u>-</u> | <u>8,153,304</u> |
| Total program services | 38,015,940 | - | 38,015,940 | 29,500,087 | - | 29,500,087 |
| Supporting services: | | | | | | |
| Management and general | 8,276,087 | - | 8,276,087 | 5,370,555 | - | 5,370,555 |
| Fundraising | <u>888,881</u> | <u>-</u> | <u>888,881</u> | <u>656,293</u> | <u>-</u> | <u>656,293</u> |
| Total supporting services | <u>9,164,968</u> | <u>-</u> | <u>9,164,968</u> | <u>6,026,848</u> | <u>-</u> | <u>6,026,848</u> |
| TOTAL EXPENSES | <u>47,180,908</u> | <u>-</u> | <u>47,180,908</u> | <u>35,526,935</u> | <u>-</u> | <u>35,526,935</u> |
| CHANGE IN NET ASSETS | (2,527,287) | (400,000) | (2,927,287) | (179,025) | 98,039 | (80,986) |
| Net Assets - Beginning of Year | <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> |
| NET ASSETS - END OF YEAR | <u>\$ 6,019,767</u> | <u>\$ 98,039</u> | <u>\$ 6,117,806</u> | <u>\$ 8,547,054</u> | <u>\$ 498,039</u> | <u>\$ 9,045,093</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, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

| | For the Year Ended June 30, 2023 | | | | | | | |
|---|----------------------------------|----------------------|------------------------------|---------------------------|-------------------|------------------------|----------------------|----------------------|
| | Program Services | | | Supporting Services | | | Total 2023 | Total 2022 |
| | General Education | Special Education | Total Program Services | Management and General | Fundraising | Supporting Services | | |
| Salaries and wages | \$ 11,818,953 | \$ 4,199,923 | \$ 16,018,876 | \$ 1,584,457 | \$ - | \$ 1,584,457 | \$ 17,603,333 | \$ 15,281,757 |
| Fringe benefits and payroll taxes (Note 13) | <u>2,571,945</u> | <u>894,462</u> | <u>3,466,407</u> | <u>355,721</u> | <u>-</u> | <u>355,721</u> | <u>3,822,128</u> | <u>3,252,336</u> |
| Total Salaries and Related Costs | 14,390,898 | 5,094,385 | 19,485,283 | 1,940,178 | - | 1,940,178 | 21,425,461 | 18,534,093 |
| Instructors and tutors | 136,649 | 50,541 | 187,190 | - | - | - | 187,190 | 156,698 |
| Classroom supplies | 383,776 | 137,319 | 521,095 | - | - | - | 521,095 | 432,160 |
| Program food and events | 171,535 | 62,348 | 233,883 | - | - | - | 233,883 | 128,137 |
| Other student expenses | 492,400 | 176,906 | 669,306 | - | - | - | 669,306 | 464,081 |
| Contractual services (Note 9) | 2,810,500 | 1,039,500 | 3,850,000 | 5,036,990 | 888,881 | 5,925,871 | 9,775,871 | 8,225,286 |
| Consulting and professional | 1,198,080 | 430,584 | 1,628,664 | 53,911 | - | 53,911 | 1,682,575 | 1,067,480 |
| Telephone and internet | 2,298 | 836 | 3,134 | - | - | - | 3,134 | 9,449 |
| Communication and outreach | - | - | - | 250,391 | - | 250,391 | 250,391 | 88,199 |
| Professional development | 168,747 | 60,149 | 228,896 | 22,790 | - | 22,790 | 251,686 | 251,531 |
| Office and administration | 483,759 | 164,953 | 648,712 | 78,555 | - | 78,555 | 727,267 | 304,964 |
| Insurance | 90,439 | 33,450 | 123,889 | 39,144 | - | 39,144 | 163,033 | 124,175 |
| Repairs and maintenance | 5,828 | 2,088 | 7,916 | 783 | - | 783 | 8,699 | 14,478 |
| Dues and publications | 58,013 | 20,641 | 78,654 | 7,857 | - | 7,857 | 86,511 | 53,115 |
| Donated facilities (Notes 2J and 8) | 1,402,699 | 502,459 | 1,905,158 | 188,422 | - | 188,422 | 2,093,580 | 1,744,650 |
| Bad debt expense | - | - | - | 22,556 | - | 22,556 | 22,556 | - |
| Depreciation and amortization (Note 7) | 3,604 | 1,291 | 4,895 | 484 | - | 484 | 5,379 | 3,304 |
| Occupancy (Note 9) | 6,272,651 | 2,166,614 | 8,439,265 | 620,456 | - | 620,456 | 9,059,721 | 3,887,500 |
| Miscellaneous | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,570</u> | <u>-</u> | <u>13,570</u> | <u>13,570</u> | <u>37,635</u> |
| TOTAL EXPENSES | <u>\$ 28,071,876</u> | <u>\$ 9,944,064</u> | <u>\$ 38,015,940</u> | <u>\$ 8,276,087</u> | <u>\$ 888,881</u> | <u>\$ 9,164,968</u> | <u>\$ 47,180,908</u> | <u>\$ 35,526,935</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**

| | Program Services | | | Supporting Services | | | Total |
|---|----------------------|---------------------|----------------------|------------------------|-------------------|---------------------|----------------------|
| | General Education | Special Education | 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 |
| Fringe benefits and payroll taxes (Note 13) | 2,178,551 | 812,714 | 2,991,265 | 261,071 | - | 261,071 | 3,252,336 |
| Total Salaries and Related Costs | 12,417,507 | 4,685,581 | 17,103,088 | 1,431,005 | - | 1,431,005 | 18,534,093 |
| Instructors and tutors | 112,823 | 43,875 | 156,698 | - | - | - | 156,698 |
| Classroom supplies | 311,155 | 121,005 | 432,160 | - | - | - | 432,160 |
| Program food and events | 92,259 | 35,878 | 128,137 | - | - | - | 128,137 |
| Other student expenses | 334,138 | 129,943 | 464,081 | - | - | - | 464,081 |
| Contractual services (Note 9) | 2,772,000 | 1,078,000 | 3,850,000 | 3,718,993 | 656,293 | 4,375,286 | 8,225,286 |
| Consulting and professional | 735,241 | 285,927 | 1,021,168 | 46,312 | - | 46,312 | 1,067,480 |
| Telephone and internet | 6,803 | 2,646 | 9,449 | - | - | - | 9,449 |
| Communication and outreach | - | - | - | 88,199 | - | 88,199 | 88,199 |
| Professional development | 168,492 | 62,878 | 231,370 | 20,161 | - | 20,161 | 251,531 |
| Office and administration | 194,127 | 74,004 | 268,131 | 36,833 | - | 36,833 | 304,964 |
| 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 |
| Dues and publications | 35,568 | 13,276 | 48,844 | 4,271 | - | 4,271 | 53,115 |
| Donated facilities (Notes 2J and 8) | 1,256,148 | 488,502 | 1,744,650 | - | - | - | 1,744,650 |
| Depreciation and amortization (Note 7) | 2,214 | 826 | 3,040 | 264 | - | 264 | 3,304 |
| Occupancy (Note 9) | 2,799,000 | 1,088,500 | 3,887,500 | - | - | - | 3,887,500 |
| Miscellaneous | 22,100 | 8,594 | 30,694 | 6,941 | - | 6,941 | 37,635 |
| TOTAL EXPENSES | \$ 21,346,783 | \$ 8,153,304 | \$ 29,500,087 | \$ 5,370,555 | \$ 656,293 | \$ 6,026,848 | \$ 35,526,935 |

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

**DREAM CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (2,927,287) | \$ (80,986) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Unrealized loss on investments | 45,684 | |
| Non-cash lease expense | 2,182,440 | - |
| Depreciation and amortization | <u>5,379</u> | <u>3,304</u> |
| | (693,784) | (77,682) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Contributions receivable | 201,200 | (103,161) |
| Government grants receivable | 84,584 | 558,688 |
| Prepaid expenses and other assets | 23,917 | (246,753) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 606,882 | (122,936) |
| Due to institutional partner | 260,938 | (49,004) |
| Deferred rent | (47,250) | (262,500) |
| Change in operating lease liability | <u>2,448,618</u> | <u>-</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>2,885,105</u> | <u>(303,348)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (2,485,625) | - |
| Purchase of property and equipment | <u>(1,546,327)</u> | <u>(14,525)</u> |
| Net Cash Used in Investing Activities | <u>(4,031,952)</u> | <u>(14,525)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from (repayment of) program related investment payable | <u>200,000</u> | <u>(150,000)</u> |
| Net Cash Provided by (Used in) Financing Activities | <u>200,000</u> | <u>(150,000)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | (946,847) | (467,873) |
| Cash and cash equivalents and restricted cash - beginning of year | <u>7,915,899</u> | <u>8,383,772</u> |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR | <u>\$ 6,969,052</u> | <u>\$ 7,915,899</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 | \$ 6,794,052 | \$ 7,740,899 |
| Restricted cash | <u>175,000</u> | <u>175,000</u> |
| | <u>\$ 6,969,052</u> | <u>\$ 7,915,899</u> |

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 PreK-12th grade and serves youth in East Harlem and the South Bronx. 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, 2023 and 2022.

C. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments acquired with maturities of 90 days or less.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 Financial Accounting Standards Board ("FASB") Accounting Standard Update ("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, 2023 and 2022. 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 the 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, 2023 and 2022, the School received conditional grants and contracts from government agencies in the aggregate amounts of approximately \$534,000 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. Government grants amounted to \$9,969,453 and \$7,834,058 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. ***Investments and Fair Value Measurements*** - Investments are stated at fair value. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and interest and dividends are recognized as revenue in the period earned. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.
- H. ***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 and amortization are recognized using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of their useful lives or the applicable lease term.
- I. ***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.
- J. ***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 the year ended June 30, 2023 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 | \$ 2,093,580 | Program and General and Administrative | No associated donor restriction | Based on market price |

Donated facilities for the year ended June 30, 2022 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 |

- K. ***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. Prior to the adoption of FASB ASU 2016-02 as of July 1, 2022 (See Note 2M), 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 \$47,250 for the year ended June 30, 2022. This adjustment is reflected as deferred rent in the accompanying statements of financial position.
- L. ***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.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. ***Recent Accounting Pronouncements*** – In 2023 the School adopted ASU No. 2016-02, *Leases*, which requires lessees to recognize leases on the statements of financial position and disclose key information about leasing arrangements. The School elected not to restate the comparative period (2022). The School also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the School recognized right-of-use (“ROU”) assets of \$174,887,182 and lease liabilities totaling \$179,518,240 in its statement of financial position as of June 30, 2023. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

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

Financial assets as of June 30, 2023 and 2022, 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>2023</u> | <u>2022</u> |
|--|-----------------------------|----------------------------|
| Cash and cash equivalents | \$ 6,794,052 | \$ 7,740,899 |
| Investments | 2,439,941 | - |
| Government grants receivable | 932,456 | 1,017,040 |
| Contributions receivable, net | <u>298,039</u> | <u>499,239</u> |
| Total financial assets | 10,464,488 | 9,257,178 |
| Less: net assets with donor restrictions | <u>(98,039)</u> | <u>(498,039)</u> |
| | <u><u>\$ 10,366,449</u></u> | <u><u>\$ 8,759,139</u></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 School’s liquidity management plan, the School invests cash in excess of daily requirements in short-term money market accounts.

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 as of both June 30, 2023 and 2022.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|--------------------------|--------------------------|
| Due within 1 year | \$ 298,039 | \$ 300,000 |
| Due within 1 to 5 years | <u>-</u> | <u>201,200</u> |
| | 298,039 | 501,200 |
| Present value discount at 2.00% | <u>-</u> | <u>(1,961)</u> |
| | <u><u>\$ 298,039</u></u> | <u><u>\$ 499,239</u></u> |

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following as of June 30:

| | <u>2023</u> |
|---------------------|---------------------|
| U.S. Treasury bills | \$ 2,439,941 |
| | <u>\$ 2,439,941</u> |

Investment activity consisted of the following for the year ended June 30:

| | <u>2023</u> |
|--------------------------------|------------------|
| Interest and dividends | \$ 138,110 |
| Unrealized loss on investments | <u>(45,684)</u> |
| | <u>\$ 92,426</u> |

Investments are subject to market volatility, which could substantially change the carrying value in the near term.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market value data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the School utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in treasury bills are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Financial assets carried at fair value at June 30, 2023, are classified within the hierarchy as follows:

| ASSETS CARRIED AT FAIR VALUE: | <u>Level 1</u> | <u>Total</u> |
|--------------------------------|-------------------------|-------------------------|
| Investments: | | |
| U.S. Treasury bills | \$ 2,439,941 | \$ 2,439,941 |
| TOTAL ASSETS AT FAIR VALUE | <u>\$ 2,439,941</u> | <u>\$ 2,439,941</u> |

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 – PROPERTY AND EQUIPMENT

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

| | <u>2023</u> | <u>2022</u> | <u>Estimated Useful Lives</u> |
|---|---------------------|------------------|-----------------------------------|
| Equipment and computers | \$ 382,595 | \$ 373,660 | 3 years |
| Leasehold improvements | 30,145 | - | |
| Furniture and fixtures | <u>1,722,759</u> | <u>215,512</u> | 7 years |
| | 2,135,499 | 589,172 | |
| Less: accumulated depreciation and amortization | <u>(573,419)</u> | <u>(568,040)</u> | |
| Total | <u>\$ 1,562,080</u> | <u>\$ 21,132</u> | |

Depreciation and amortization expenses amounted to \$5,379 and \$3,304 for the years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022, services provided and recognized as expense by the School under the Agreement amounted to \$9,775,871 and \$8,225,286, respectively.

As of June 30, 2023 and 2022, amounts due to DREAM from the School amounted to \$748,839 and \$487,901, respectively.

The School received the use of facilities without charge from DREAM, which was valued at \$2,093,580 and \$2,093,580 for the years ended June 30, 2023 and 2022, respectively.

NOTE 9 – LEASES

The School leases certain facilities, vehicles and equipment under long-term non-cancelable operating lease and finance lease agreements. The School assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As a result, adopting Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 842 had no impact on the prior year statement of financial position, and no impact on the School’s change in net assets. No comparative information is provided for the amounts reported on the statement of financial position as of June 30, 2022 since the School used the modified retrospective method of transition that does not require restating the prior period.

DREAM holds a portfolio of temporary and long-term leases and has entered into a sublease agreement to lease the spaces to Dream Charter School. During January 2023, DREAM commenced a lease agreement with a private landlord and subsequently entered into a sublease agreement to lease the same space to the School for use as a new high school. Total rent expense amounted to \$9,059,721 and \$3,887,500 for the years ended June 30, 2023 and 2022, respectively.

The weighted-average discount rate is based on the implicit interest rate of 5% included in the sublease.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9 – LEASES (Continued)

The School has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted average remaining lease term in years:

| | |
|------------------|------|
| Operating leases | 42.5 |
|------------------|------|

Weighted average discount rate:

| | |
|------------------|-------|
| Operating leases | 5.00% |
|------------------|-------|

As of June 30, 2023, the ROU asset balance totaled \$174,887,182 and lease liabilities totaled \$179,518,240, as shown on the accompanying statement of financial position. Future minimum payments for non-cancelable leases for the remaining five years ending after June 30, 2023 and thereafter are as follows:

| | <u>Operating Leases</u> |
|------------------------------------|------------------------------|
| 2024 | \$ 5,810,004 |
| 2025 | 6,860,004 |
| 2026 | 7,560,000 |
| 2027 | 8,070,000 |
| 2028 | 8,229,996 |
| Thereafter | <u>453,709,968</u> |
| Total lease payments | 490,239,972 |
| Less: present value discount | <u>(310,721,732)</u> |
| Present value of lease liabilities | <u><u>\$ 179,518,240</u></u> |

NOTE 10 – COMMITMENTS AND CONTINGENCIES

- A. The School believes it had no uncertain tax positions as of June 30, 2023 and 2022, in accordance with FASB 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.
- C. The School had a line of credit with a bank, which has a variable interest rate equal to The Wall Street Journal Prime Rate, which is adjusted monthly. The line of credit expired on September 23, 2022, and there were no amounts outstanding as of June 30, 2023. Subsequent to year-end through October 31, 2023, the line of credit has not been renewed.

**DREAM CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2023</u> | <u>2022</u> |
|-----------------|------------------|-------------------|
| Time restricted | <u>\$ 98,039</u> | <u>\$ 498,039</u> |

During the years ended June 30, 2023 and 2022, the School met donor restrictions and released net assets with donor restrictions of \$400,000 and \$101,961, respectively.

NOTE 12 – CONCENTRATIONS

- A. The School receives a majority of its revenues from the New York State Education Department (“NYCDOE”) 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 66% and 67% of total revenue for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, there was approximately \$8,660,000 and \$9,121,000, respectively, of cash and cash equivalents held by two banks that exceeded FDIC limits.

NOTE 13 – 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, 2023 and 2022, the School contributed a 4% match for qualified participating staff members with one or more years of service. Employer contributions totaled \$182,688 and \$165,644 for the years ended June 30, 2023 and 2022, respectively.

NOTE 14 – 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.

On July 27, 2022, the School obtained a program related investment in the amount of \$200,000 from the Charter School Growth Fund. This amount bears interest at 1% and is payable back in the Charter School Growth Fund in 2027.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through October 31, 2023, the date the financial statements were available to be issued.

**DREAM CHARTER SCHOOL
STATEMENT OF ACTIVITIES - BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2023**

| | 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 |
| REVENUE, SUPPORT AND GAINS: | | | | | | | | | | | | |
| Public school district: | | | | | | | | | | | | |
| Tuition - general enrollment | \$ 6,151,797 | \$ - | \$ 6,151,797 | \$ 16,364,625 | \$ - | \$ 16,364,625 | \$ 922,102 | \$ - | \$ 922,102 | \$ 23,438,524 | \$ - | \$ 23,438,524 |
| Tuition - students with disabilities | <u>1,241,383</u> | <u>-</u> | <u>1,241,383</u> | <u>4,201,193</u> | <u>-</u> | <u>4,201,193</u> | <u>139,447</u> | <u>-</u> | <u>139,447</u> | <u>5,582,023</u> | <u>-</u> | <u>5,582,023</u> |
| Subtotal public school district revenue | 7,393,180 | - | 7,393,180 | 20,565,818 | - | 20,565,818 | 1,061,549 | - | 1,061,549 | 29,020,547 | - | 29,020,547 |
| Government grants | 3,086,138 | - | 3,086,138 | 6,297,714 | - | 6,297,714 | 585,601 | - | 585,601 | 9,969,453 | - | 9,969,453 |
| Contributions | - | - | - | 3,026,028 | - | 3,026,028 | - | - | - | 3,026,028 | - | 3,026,028 |
| Donated services and facilities | - | - | - | 2,093,580 | - | 2,093,580 | - | - | - | 2,093,580 | - | 2,093,580 |
| Interest and dividends | - | - | - | 138,110 | - | 138,110 | - | - | - | 138,110 | - | 138,110 |
| Unrealized loss on investments | - | - | - | (45,684) | - | (45,684) | - | - | - | (45,684) | - | (45,684) |
| Other | - | - | - | 51,587 | - | 51,587 | - | - | - | 51,587 | - | 51,587 |
| Net assets released from restrictions | <u>-</u> | <u>-</u> | <u>-</u> | <u>400,000</u> | <u>(400,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>400,000</u> | <u>(400,000)</u> | <u>-</u> |
| TOTAL PUBLIC SUPPORT AND REVENUE | <u>10,479,318</u> | <u>-</u> | <u>10,479,318</u> | <u>32,527,153</u> | <u>(400,000)</u> | <u>32,127,153</u> | <u>1,647,150</u> | <u>-</u> | <u>1,647,150</u> | <u>44,653,621</u> | <u>(400,000)</u> | <u>44,253,621</u> |
| EXPENSES: | | | | | | | | | | | | |
| Program services: | | | | | | | | | | | | |
| General education | 5,418,755 | - | 5,418,755 | 21,630,374 | - | 21,630,374 | 1,022,747 | - | 1,022,747 | 28,071,876 | - | 28,071,876 |
| Special education | <u>1,841,820</u> | <u>-</u> | <u>1,841,820</u> | <u>7,874,505</u> | <u>-</u> | <u>7,874,505</u> | <u>227,739</u> | <u>-</u> | <u>227,739</u> | <u>9,944,064</u> | <u>-</u> | <u>9,944,064</u> |
| Total program services | <u>7,260,575</u> | <u>-</u> | <u>7,260,575</u> | <u>29,504,879</u> | <u>-</u> | <u>29,504,879</u> | <u>1,250,486</u> | <u>-</u> | <u>1,250,486</u> | <u>38,015,940</u> | <u>-</u> | <u>38,015,940</u> |
| Supporting services: | | | | | | | | | | | | |
| Management and general | 492,179 | - | 492,179 | 7,619,879 | - | 7,619,879 | 164,029 | - | 164,029 | 8,276,087 | - | 8,276,087 |
| Fundraising | <u>-</u> | <u>-</u> | <u>-</u> | <u>888,881</u> | <u>-</u> | <u>888,881</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>888,881</u> | <u>-</u> | <u>888,881</u> |
| Total supporting services | <u>492,179</u> | <u>-</u> | <u>492,179</u> | <u>8,508,760</u> | <u>-</u> | <u>8,508,760</u> | <u>164,029</u> | <u>-</u> | <u>164,029</u> | <u>9,164,968</u> | <u>-</u> | <u>9,164,968</u> |
| TOTAL EXPENSES | <u>7,752,754</u> | <u>-</u> | <u>7,752,754</u> | <u>38,013,639</u> | <u>-</u> | <u>38,013,639</u> | <u>1,414,515</u> | <u>-</u> | <u>1,414,515</u> | <u>47,180,908</u> | <u>-</u> | <u>47,180,908</u> |
| CHANGE IN NET ASSETS | 2,726,564 | - | 2,726,564 | (5,486,486) | (400,000) | (5,886,486) | 232,635 | - | 232,635 | (2,527,287) | (400,000) | (2,927,287) |
| Net Assets - Beginning of Year | <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> |
| NET ASSETS - END OF YEAR | <u>\$ 4,957,847</u> | <u>\$ -</u> | <u>\$ 4,957,847</u> | <u>\$ 722,453</u> | <u>\$ 98,039</u> | <u>\$ 820,492</u> | <u>\$ 339,467</u> | <u>\$ -</u> | <u>\$ 339,467</u> | <u>\$ 6,019,767</u> | <u>\$ 98,039</u> | <u>\$ 6,117,806</u> |

DREAM CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES - BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2023

| | 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 | \$ 2,917,218 | \$ 1,004,242 | \$ 3,921,460 | \$ 369,203 | \$ - | \$ 369,203 | \$ 4,290,663 | \$ 8,377,042 | \$ 3,070,244 | \$ 11,447,286 | \$ 1,091,903 | \$ - | \$ 1,091,903 | \$ 12,539,189 |
| Fringe benefits and payroll taxes | 641,938 | 217,126 | 859,064 | 84,962 | - | 84,962 | 944,026 | 1,816,050 | 650,523 | 2,466,573 | 243,946 | - | 243,946 | 2,710,519 |
| Total Salaries and Related Costs | 3,559,156 | 1,221,368 | 4,780,524 | 454,165 | - | 454,165 | 5,234,689 | 10,193,092 | 3,720,767 | 13,913,859 | 1,335,849 | - | 1,335,849 | 15,249,708 |
| Instructors and tutors | - | - | - | - | - | - | - | 136,649 | 50,541 | 187,190 | - | - | - | 187,190 |
| Classroom supplies | 67,891 | 22,630 | 90,521 | - | - | - | 90,521 | 303,929 | 112,412 | 416,341 | - | - | - | 416,341 |
| Program food and events | 12,252 | 4,084 | 16,336 | - | - | - | 16,336 | 155,665 | 57,575 | 213,240 | - | - | - | 213,240 |
| Other student expenses | 78,984 | 26,328 | 105,312 | - | - | - | 105,312 | 400,431 | 148,105 | 548,536 | - | - | - | 548,536 |
| Contractual services | - | - | - | - | - | - | - | 2,810,500 | 1,039,500 | 3,850,000 | 5,036,990 | 888,881 | 5,925,871 | 9,775,871 |
| Consulting and professional | 193,107 | 64,369 | 257,476 | 500 | - | 500 | 257,976 | 974,378 | 360,387 | 1,334,765 | 53,411 | - | 53,411 | 1,388,176 |
| Telephone and internet | 372 | 124 | 496 | - | - | - | 496 | 1,926 | 712 | 2,638 | - | - | - | 2,638 |
| Communication and outreach | - | - | - | - | - | - | - | - | - | - | 250,391 | - | 250,391 | 250,391 |
| Professional development | 6,626 | 2,241 | 8,867 | 877 | - | 877 | 9,744 | 160,774 | 57,591 | 218,365 | 21,596 | - | 21,596 | 239,961 |
| Office and administration | 110,088 | 37,236 | 147,324 | 14,571 | - | 14,571 | 161,895 | 323,759 | 115,973 | 439,732 | 52,240 | - | 52,240 | 491,972 |
| Insurance | - | - | - | 4,110 | - | 4,110 | 4,110 | 90,439 | 33,450 | 123,889 | 34,304 | - | 34,304 | 158,193 |
| Repairs and maintenance | - | - | - | - | - | - | - | 5,828 | 2,088 | 7,916 | 783 | - | 783 | 8,699 |
| Dues and publications | 2,779 | 940 | 3,719 | 368 | - | 368 | 4,087 | 54,550 | 19,540 | 74,090 | 7,328 | - | 7,328 | 81,418 |
| Donated facilities | - | - | - | - | - | - | - | 1,402,699 | 502,459 | 1,905,158 | 188,422 | - | 188,422 | 2,093,580 |
| Bad debt expense | - | - | - | 17,144 | - | 17,144 | 17,144 | - | - | - | 5,412 | - | 5,412 | 5,412 |
| Depreciation | - | - | - | - | - | - | - | 3,604 | 1,291 | 4,895 | 484 | - | 484 | 5,379 |
| Occupancy | 1,387,500 | 462,500 | 1,850,000 | - | - | - | 1,850,000 | 4,612,151 | 1,652,114 | 6,264,265 | 619,543 | - | 619,543 | 6,883,808 |
| Miscellaneous | - | - | - | 444 | - | 444 | 444 | - | - | - | 13,126 | - | 13,126 | 13,126 |
| TOTAL EXPENSES | \$ 5,418,755 | \$ 1,841,820 | \$ 7,260,575 | \$ 492,179 | \$ - | \$ 492,179 | \$ 7,752,754 | \$ 21,630,374 | \$ 7,874,505 | \$ 29,504,879 | \$ 7,619,879 | \$ 888,881 | \$ 8,508,760 | \$ 38,013,639 |

DREAM CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES - BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2023

| 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 |
| \$ 524,693 | \$ 125,437 | \$ 650,130 | \$ 123,351 | \$ - | \$ 123,351 | \$ 773,481 | \$ 11,818,953 | \$ 4,199,923 | \$ 16,018,876 | \$ 1,584,457 | \$ - | \$ 1,584,457 | \$ 17,603,333 |
| 113,957 | 26,813 | 140,770 | 26,813 | - | 26,813 | 167,583 | 2,571,945 | 894,462 | 3,466,407 | 355,721 | - | 355,721 | 3,822,128 |
| 638,650 | 152,250 | 790,900 | 150,164 | - | 150,164 | 941,064 | 14,390,898 | 5,094,385 | 19,485,283 | 1,940,178 | - | 1,940,178 | 21,425,461 |
| - | - | - | - | - | - | - | 136,649 | 50,541 | 187,190 | - | - | - | 187,190 |
| 11,956 | 2,277 | 14,233 | - | - | - | 14,233 | 383,776 | 137,319 | 521,095 | - | - | - | 521,095 |
| 3,618 | 689 | 4,307 | - | - | - | 4,307 | 171,535 | 62,348 | 233,883 | - | - | - | 233,883 |
| 12,985 | 2,473 | 15,458 | - | - | - | 15,458 | 492,400 | 176,906 | 669,306 | - | - | - | 669,306 |
| - | - | - | - | - | - | - | 2,810,500 | 1,039,500 | 3,850,000 | 5,036,990 | 888,881 | 5,925,871 | 9,775,871 |
| 30,595 | 5,828 | 36,423 | - | - | - | 36,423 | 1,198,080 | 430,584 | 1,628,664 | 53,911 | - | 53,911 | 1,682,575 |
| - | - | - | - | - | - | - | 2,298 | 836 | 3,134 | - | - | - | 3,134 |
| - | - | - | - | - | - | - | - | - | - | 250,391 | - | 250,391 | 250,391 |
| 1,347 | 317 | 1,664 | 317 | - | 317 | 1,981 | 168,747 | 60,149 | 228,896 | 22,790 | - | 22,790 | 251,686 |
| 49,912 | 11,744 | 61,656 | 11,744 | - | 11,744 | 73,400 | 483,759 | 164,953 | 648,712 | 78,555 | - | 78,555 | 727,267 |
| - | - | - | 730 | - | 730 | 730 | 90,439 | 33,450 | 123,889 | 39,144 | - | 39,144 | 163,033 |
| - | - | - | - | - | - | - | 5,828 | 2,088 | 7,916 | 783 | - | 783 | 8,699 |
| 684 | 161 | 845 | 161 | - | 161 | 1,006 | 58,013 | 20,641 | 78,654 | 7,857 | - | 7,857 | 86,511 |
| - | - | - | - | - | - | - | 1,402,699 | 502,459 | 1,905,158 | 188,422 | - | 188,422 | 2,093,580 |
| - | - | - | - | - | - | - | - | - | - | 22,556 | - | 22,556 | 22,556 |
| - | - | - | - | - | - | - | 3,604 | 1,291 | 4,895 | 484 | - | 484 | 5,379 |
| 273,000 | 52,000 | 325,000 | 913 | - | 913 | 325,913 | 6,272,651 | 2,166,614 | 8,439,265 | 620,456 | - | 620,456 | 9,059,721 |
| - | - | - | - | - | - | - | - | - | - | 13,570 | - | 13,570 | 13,570 |
| \$ 1,022,747 | \$ 227,739 | \$ 1,250,486 | \$ 164,029 | \$ - | \$ 164,029 | \$ 1,414,515 | \$ 28,071,876 | \$ 9,944,064 | \$ 38,015,940 | \$ 8,276,087 | \$ 888,881 | \$ 9,164,968 | \$ 47,180,908 |



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

The Board of Trustees
DREAM Charter School
New York, NY

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Mayer Hoffman McCann CPAs

**The New York Practice of Mayer Hoffman McCann P.C.
An Independent CPA Firm**

685 Third Avenue
New York, NY 10017





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, 2023