

Growing Up Green Charter School

Financial Statements

June 30, 2022 and 2021

Independent Auditors' Report

Board of Trustees
Growing Up Green Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Growing Up Green Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 financial statements present fairly, in all material respects, the financial position of Growing Up Green Charter School as of June 30, 2022 and 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Growing Up Green Charter 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 opinions.

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 Growing Up Green Charter School's ability to continue as a going concern within 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Growing Up Green Charter 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 Growing Up Green Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022, on our consideration of Growing Up Green Charter 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 Growing Up Green Charter 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 Growing Up Green Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 18, 2022

Growing Up Green Charter School

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS		
Current Assets		
Cash	\$ 3,890,672	\$ 6,050,820
Grants and contracts receivable	611,723	285,645
Prepaid expenses and other current assets	272,996	272,498
Due from related party	1,547,986	554,094
Total Current Assets	6,323,377	7,163,057
Property and equipment, net	893,600	928,058
Restricted cash - line of credit	1,002,246	762,868
Restricted cash - escrow	71,055	70,993
Security deposits	213,433	213,155
	<u>\$ 8,503,711</u>	<u>\$ 9,138,131</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 274,126	\$ 354,420
Accrued payroll and payroll taxes	1,060,890	1,263,377
Deferred rent, current portion	46,971	36,793
Refundable advances	125,487	93,455
Total Current Liabilities	1,507,474	1,748,045
Deferred rent	233,402	293,235
Total Liabilities	1,740,876	2,041,280
Net assets, without donor restrictions	6,762,835	7,096,851
	<u>\$ 8,503,711</u>	<u>\$ 9,138,131</u>

See notes to financial statements

Growing Up Green Charter School

Statements of Activities

	Year Ended June 30,	
	2022	2021
OPERATING REVENUE		
Public School District		
Regular student enrollment	\$ 12,632,697	\$ 13,124,821
Students with disabilities	1,851,899	1,932,418
Facilities funding	686,778	430,239
Grants and Contracts		
Federal grants	718,375	308,245
Federal E-Rate and IDEA	222,963	211,987
State and local	30,701	22,582
Total Operating Revenue	<u>16,143,413</u>	<u>16,030,292</u>
EXPENSES		
Program Services		
Regular education	9,394,719	7,548,737
Special education	5,284,095	5,794,066
Other education - after school	15,801	10,012
Total Program Services	<u>14,694,615</u>	<u>13,352,815</u>
Supporting Services		
Management and general	1,892,042	1,670,030
Fundraising	59,897	154,796
Total Expenses	<u>16,646,554</u>	<u>15,177,641</u>
(Deficit) Surplus from Operations	<u>(503,141)</u>	<u>852,651</u>
SUPPORT AND OTHER REVENUE		
Gain on forgiveness of		
Paycheck Protection Program Loan	-	947,791
Gain on transfer of lease to related party	134,137	-
Contributions	11,892	21,905
Other income	23,096	18,830
Total Support and Other Revenue	<u>169,125</u>	<u>988,526</u>
Change in Net Assets	(334,016)	1,841,177
NET ASSETS		
Beginning of year	<u>7,096,851</u>	<u>5,255,674</u>
End of year	<u>\$ 6,762,835</u>	<u>\$ 7,096,851</u>

See notes to financial statements

Growing Up Green Charter School

Statement of Functional Expenses Year Ended June 30, 2022

	No. of Positions	Program Services				Management and General		Fundraising	Total
		Regular Education	Special Education	After School	Total				
Personnel Services Costs									
Administrative staff personnel	26	\$ 1,108,740	\$ 404,968	\$ -	\$ 1,513,708	\$ 605,968	\$ 47,387	\$ -	\$ 2,167,063
Instructional personnel	102	4,547,888	2,891,859	12,695	7,452,442	3,980	-	-	7,456,422
Non-Instructional personnel	8	120,146	55,035	-	175,181	261,240	292	-	436,713
Total Personnel Services Costs	135	5,776,774	3,351,862	12,695	9,141,331	871,188	47,679	-	10,060,198
Fringe benefits and payroll taxes		1,334,263	779,198	2,965	2,116,426	203,467	11,135	-	2,331,028
Retirement		63,304	36,969	141	100,414	9,654	528	-	110,596
Legal fees		-	-	-	-	26,928	-	-	26,928
Accounting and audit services		-	-	-	-	84,365	-	-	84,365
Other purchased services		218,845	59,489	-	278,334	405,466	555	-	684,355
Rent expense		1,030,996	600,758	-	1,631,754	165,457	-	-	1,797,211
Repairs and maintenance		33,316	19,413	-	52,729	5,347	-	-	58,076
Insurance		63,758	37,152	-	100,910	10,232	-	-	111,142
Utilities		77,009	44,873	-	121,882	12,359	-	-	134,241
Supplies and materials		177,542	59,444	-	236,986	7,660	-	-	244,646
Equipment and furnishings		33,417	10,913	-	44,330	1,311	-	-	45,641
Staff and professional development		19,833	4,833	-	24,666	20,443	-	-	45,109
Marketing and recruiting		76,188	33,858	-	110,046	7,239	-	-	117,285
Technology		104,027	60,616	-	164,643	16,695	-	-	181,338
Food services		4,289	1,045	-	5,334	-	-	-	5,334
Student services		103,928	25,325	-	129,253	-	-	-	129,253
Office expense		74,278	43,282	-	117,560	11,920	-	-	129,480
Depreciation and amortization		149,249	86,967	-	236,216	23,952	-	-	260,168
Loss on disposal of property and equipment		7,706	4,490	-	12,196	1,237	-	-	13,433
Other		45,997	23,608	-	69,605	7,122	-	-	76,727
Total Expenses		\$ 9,394,719	\$ 5,284,095	\$ 15,801	\$ 14,694,615	\$ 1,892,042	\$ 59,897	-	\$ 16,646,554

Growing Up Green Charter School

Statement of Functional Expenses Year Ended June 30, 2021

	No. of Positions	Program Services				Management and General		Fundraising	Total
		Regular Education	Special Education	After School	Total				
Personnel Services Costs									
Administrative staff personnel	33	\$ 1,159,110	\$ 512,401	\$ -	\$ 1,671,511	\$ 574,830	\$ 99,405	\$ -	\$ 2,345,746
Instructional personnel	93	3,530,669	3,202,109	5,640	6,738,418	193	-	-	6,738,611
Non-Instructional personnel	10	101,237	53,959	-	155,196	270,309	1,028	-	426,533
Total Personnel Services Costs	135	4,791,016	3,768,469	5,640	8,565,125	845,332	100,433	-	9,510,890
Fringe benefits and payroll taxes		1,048,908	825,040	1,235	1,875,183	185,071	21,988	-	2,082,242
Retirement		78,647	61,861	93	140,601	13,877	1,649	-	156,127
Legal fees		19,211	15,111	23	34,345	3,390	403	-	38,138
Accounting and audit services		-	-	-	-	78,153	-	-	78,153
Other purchased services		82,645	31,054	24	113,723	257,385	2,525	-	373,633
Rent expense		759,661	597,527	894	1,358,082	134,036	15,925	-	1,508,043
Repairs and maintenance		71,965	56,606	85	128,656	12,698	1,509	-	142,863
Insurance		49,176	38,680	58	87,914	8,677	1,031	-	97,622
Utilities		97,078	76,358	114	173,550	17,129	2,035	-	192,714
Supplies and materials		137,642	46,855	1,466	185,963	4,282	509	-	190,754
Equipment and furnishings		14,648	4,646	2	19,296	345	41	-	19,682
Staff and professional development		23,713	5,807	-	29,520	46,584	-	-	76,104
Marketing and recruiting		53,341	27,092	30	80,463	4,570	543	-	85,576
Technology		75,737	59,572	89	135,398	13,363	1,588	-	150,349
Food services		702	172	-	874	-	-	-	874
Student services		20,216	4,951	-	25,167	-	-	-	25,167
Office expense		44,307	34,851	52	79,210	7,818	929	-	87,957
Depreciation and amortization		147,019	115,641	173	262,833	25,940	3,082	-	291,855
Other		33,105	23,773	34	56,912	11,380	606	-	68,898
Total Expenses		<u>\$ 7,548,737</u>	<u>\$ 5,794,066</u>	<u>\$ 10,012</u>	<u>\$ 13,352,815</u>	<u>\$ 1,670,030</u>	<u>\$ 154,796</u>	<u>\$ -</u>	<u>\$ 15,177,641</u>

Growing Up Green Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (334,016)	\$ 1,841,177
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	260,168	291,855
Deferred rent	84,482	76,876
Gain on forgiveness of Paycheck Protection Program loan	-	(947,791)
Gain on transfer of leases to related party	(134,137)	-
Loss on disposal of property and equipment	13,433	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(326,078)	22,556
Prepaid expenses and other current assets	(498)	(87,607)
Due from related party	(993,892)	(152,706)
Security deposits	(278)	(133,885)
Accounts payable and accrued expenses	(80,294)	220,721
Accrued payroll and payroll taxes	(202,487)	323,222
Refundable advances	32,032	93,455
Net Cash from Operating Activities	(1,681,565)	1,547,873
CASH FLOW FROM INVESTING ACTIVITY		
Purchases of property and equipment	(239,143)	(473,765)
Net Change in Cash and Restricted Cash	(1,920,708)	1,074,108
CASH AND RESTRICTED CASH		
Beginning of year	6,884,681	5,810,573
End of year	<u>\$ 4,963,973</u>	<u>\$ 6,884,681</u>

Growing Up Green Charter School

Notes to Financial Statements June 30, 2022 and 2021

1. Organization and Tax Status

Growing Up Green Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 16, 2008 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on December 16, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (the "Board of Regents"). The Board of Regents approved and issued several renewals to the School's charter expiring on June 30, 2027. The School's mission is to empower children to be conscious, contributing members of their community through a rigorous curriculum and an engaging green culture. Graduates of the School will be prepared to attend high performing schools where their interdisciplinary academic foundations, knowledge of sustainability, and strong sense of self sets them apart as leaders of the future. Classes commenced in Long Island City, New York, on September 9, 2009 and the School provided education to approximately 750 students in grades kindergarten through eighth during the 2021-2022 academic year.

Effective July 1, 2022, the School merged into Growing Up Green Charter School II. The School ceased to exist as a legal entity in conjunction with the merger. The plan of the merger was approved by the New York State Board of Regents on June 2, 2022.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2022 and 2021.

Restricted Cash

Under the provisions of its Charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

Under a line of credit agreement, the School granted the lender a security interest in one of its deposit accounts (see Note 9). At June 30, 2022 and 2021, there was no balance payable on the line of credit.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows for the years ended June 30:

	2022	2021
Cash	\$3,890,672	\$6,050,820
Restricted cash - line of credit	1,002,246	762,868
Restricted cash - escrow	71,055	70,993
	<u>\$4,963,973</u>	<u>\$6,884,681</u>

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Equipment	5 years
Furniture and fixtures	7 years
Software	3 years
Website development	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2022 and 2021.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Revenue from the state and local governments 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. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

Marketing and Recruiting

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Marketing and recruiting expense for the years ended June 30, 2022 and 2021 was \$117,285 and \$85,576.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental and other sources that include contributions revenue, gain on forgiveness of Paycheck Protection Program loan, gain on transfer of lease to related party, and other activities considered to be a more non-recurring nature.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2019.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such allowance is not necessary.

Growing Up Green Charter School

Notes to Financial Statements June 30, 2022 and 2021

4. Property and Equipment

Property and equipment, net consists of the following at June 30:

	2022	2021
Equipment	\$ 1,248,624	\$ 1,460,699
Furniture and fixtures	623,748	617,015
Software and website development	3,550	19,133
Leasehold improvements	1,561,658	1,496,708
Construction in progress	26,983	-
	<u>3,464,563</u>	<u>3,593,555</u>
Accumulated depreciation and amortization	<u>(2,570,963)</u>	<u>(2,665,497)</u>
	<u>\$ 893,600</u>	<u>\$ 928,058</u>

Construction in progress at June 30, 2022 consists of architect fees and renovation costs, related to the elementary school science lab project.

Assets with a cost basis of \$368,135 and accumulated depreciation of \$354,702 were disposed of during the year ended June 30, 2022. Loss on disposal of property and equipment was \$13,433 for the year ended June 30, 2022.

5. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	2022	2021
Cash	\$ 3,890,672	\$ 6,050,820
Grants and contracts receivable	611,723	285,645
Due from related party	1,547,986	554,094
	<u>\$ 6,050,381</u>	<u>\$ 6,890,559</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in liquid instruments until it is required for operational use. To help manage unanticipated liquidity needs, the School has a letter of credit in the amount of \$1,000,000, which it could draw upon as further disclosed in Note 11. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see Note 8).

6. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 5% of the participant's annual compensation. Employer match for the years ended June 30, 2022 and 2021 amounted to \$110,596 and \$156,127.

Growing Up Green Charter School

Notes to Financial Statements June 30, 2022 and 2021

7. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and restricted cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2022 and 2021, approximately \$4,710,000 and \$6,630,000 of cash and restricted cash was maintained with an institution in excess of FDIC limits.

8. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2022 and 2021, the School received approximately 93% and 91% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

9. Related Party Transactions (not disclosed elsewhere)

Friends of Growing Up Green

The School is an affiliate of Friends of Growing Up Green ("Friends of GUG"), a New York State not-for-profit corporation, through common management. Friends of GUG supports the School through real estate and facilities-related needs, technical and financial assistance. During the years ended June 30, 2022 and 2021, the School charged \$249,214 and \$31,327 of operating expenses to Friends of GUG.

Effective July 1, 2021, the lease agreement for one facility used by the School was transferred to Friends of GUG (see Note 10) and a new sublease agreement was entered into between Friends of GUG (sublandlord) and the School (subtenant). As a result of this transfer, an unamortized deferred rent liability was written off resulting in a non-operating gain of \$134,137 which is reported as gain on transfer of lease to related party in the statements of activities for year ended June 30, 2022.

Growing Up Green Charter School II

The School is an affiliate of Growing Up Green Charter School II ("GUG II"), a New York State not-for-profit education corporation who both share common management and board members. The School was not required to consolidate financial statements with GUG II as the School does not have an economic interest in the net assets of GUG II. During the years ended June 30, 2022 and 2021, the School charged \$1,298,772 and \$511,397 of operating expenses to GUG II.

On March 21, 2017, the School co-signed a \$750,000 commercial line of credit with a financial institution along with GUG II. The School assigned and granted the lender a security interest in one of its deposit accounts with the financial institution. The line of credit was paid in full by GUG II and was closed on October 21, 2021. At June 30, 2022 and 2021, the pledged amount was \$0 and \$762,868.

Growing Up Green Charter School

Notes to Financial Statements

June 30, 2022 and 2021

9. Related Party Transactions (continued)

For operational efficiency and purchasing power, the School shares certain operating expenses with Friends of GUG and GUG II. The balance due from related parties consists of the following at June 30:

	2022	2021
Friends of GUG	\$ 249,214	\$ 42,697
GUG II	1,298,772	511,397
	<u>\$ 1,547,986</u>	<u>\$ 554,094</u>

10. Commitments

Facility Leases

The School is obligated under a non-cancelable operating lease for office and classroom space at 39-27 28th Street, Long Island City, New York, which expires on August 31, 2029. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses.

On May 15, 2014, the School entered into an agreement to lease additional property at 36-49 11th Street, Long Island City, New York for a period of 10 years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. This location became the home of Growing Up Green Middle School starting with the 2014-2015 academic year. In July 2021, the lease agreement was transferred to Friends of GUG (see Note 9) and a new sublease agreement between Friends of GUG (sublandlord) and the School (subtenant) was executed effective July 1, 2021 for a period of 3 years ending on June 30, 2024.

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

2023	\$ 1,750,240
2024	1,788,630
2025	1,104,836
2026	1,132,457
2027	1,160,769
Thereafter	<u>2,613,405</u>
	<u>\$ 9,550,337</u>

The School recognizes rent expense on a straight-line basis over the term of the lease. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Rent expense for the years ended June 30, 2022 and 2021 amounted to \$1,797,211 and \$1,508,043.

Growing Up Green Charter School

Notes to Financial Statements June 30, 2022 and 2021

10. Commitments (continued)

Equipment Leases

The School leases various copiers under non-cancelable operating leases expiring at various dates through October 2026. The future minimum lease payments under the copier leases are as follows for the years ending June 30:

2023	\$ 53,466
2024	53,466
2025	53,466
2026	17,822
	<u>\$ 178,220</u>

Equipment leasing expense for the years ended June 30, 2022 and 2021 amounted to \$53,466 and \$49,265, included in office expense in the accompanying statements of functional expenses.

11. Line of Credit

On October 15, 2021, the School entered into a secured \$1,000,000 revolving line of credit agreement with First Republic Bank to provide working capital. The line has no expiration date and bears interest at the Wall Street Journal Prime Rate minus 1.00%. Interest is payable on a monthly basis. The line is secured by a \$1,000,000 certificate of deposit with the bank, as required by the agreement. There was no outstanding balance under the line of credit as of June 30, 2022.

12. Paycheck Protection Program Loan Payable

On May 29, 2020, the School received loan proceeds in the amount of \$941,895 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest were forgivable as long as the borrower used the loan proceeds for eligible purposes, as described in the CARES Act, over a period of between eight and twenty-four weeks (the "Covered Period"). Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA").

On February 26, 2021, the PPP loan was fully forgiven by the SBA, and as such, the School has recognized the proceeds as other revenue in the accompanying statements of activity..

Growing Up Green Charter School

Notes to Financial Statements June 30, 2022 and 2021

13. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

14. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

15. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issue, which date is October 18, 2022

Effective July 1, 2022, the School merged into Growing Up Green Charter School II ("GUG II"). The School ceased to exist as a legal entity in conjunction with the merger. The plan of the merger was approved by the New York State Board of Regents on June 2, 2022.

**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***

Independent Auditors' Report

**Board of Trustees
Growing Up Green 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 Growing Up Green Charter School (the "School") (a nonprofit organization), 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 18, 2022.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 18, 2022