

# **Growing Up Green Charter School II**

Financial Statements

June 30, 2022 and 2021

## **Independent Auditors' Report**

### **Board of Trustees Growing Up Green Charter School II**

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

#### ***Opinion***

We have audited the accompanying financial statements of Growing Up Green Charter School II (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 II 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 II 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 II'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 II'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 II'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 II'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 II'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 II's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 18, 2022

## Growing Up Green Charter School II

### Statements of Financial Position

	June 30,	
	2022	2021
<b>ASSETS</b>		
Current Assets		
Cash	\$ 2,427,983	\$ 3,554,716
Grants and contracts receivable	454,107	153,434
Due from related party	235,063	209,460
Prepaid expenses and other current assets	480,388	274,591
Total Current Assets	3,597,541	4,192,201
Property and equipment, net	2,242,780	1,954,078
Restricted cash - line of credit	1,002,246	-
Restricted cash - escrow	75,470	75,425
Security deposits	219,018	200,165
	<u>\$ 7,137,055</u>	<u>\$ 6,421,869</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 193,766	\$ 329,817
Accrued payroll and payroll taxes	836,465	823,861
Deferred rent, current portion	1,237,904	1,060,564
Refundable advances	1,368	29,021
Due to related party	1,298,772	511,397
Total Current Liabilities	3,568,275	2,754,660
Paycheck Protection Program loan payable	-	807,328
Deferred rent	96,418	2,571,983
Total Liabilities	3,664,693	6,133,971
Net assets, without donor restrictions	3,472,362	287,898
	<u>\$ 7,137,055</u>	<u>\$ 6,421,869</u>

See notes to financial statements

## Growing Up Green Charter School II

### Statements of Activities

	Year Ended June 30,	
	2022	2021
<b>OPERATING REVENUE</b>		
Public School District		
Regular student enrollment	\$ 10,755,667	\$ 8,729,380
Students with disabilities	1,630,052	1,311,345
Facilities funding	3,227,428	2,062,027
Grants and Contracts		
Federal	730,413	360,370
State and local	40,785	27,711
Total Operating Revenue	<u>16,384,345</u>	<u>12,490,833</u>
<b>EXPENSES</b>		
Program Services		
Regular education	11,790,774	9,099,479
Special education	3,661,597	2,922,025
Total Program Services	<u>15,452,371</u>	<u>12,021,504</u>
Supporting Services		
Management and general	2,101,397	1,597,650
Fundraising	103,178	39,622
Total Expenses	<u>17,656,946</u>	<u>13,658,776</u>
(Deficit) from Operations	<u>(1,272,601)</u>	<u>(1,167,943)</u>
<b>SUPPORT AND OTHER REVENUE</b>		
Gain on forgiveness of		
Paycheck Protection Program loan	815,170	-
Gain on transfer of leases to related party	3,632,546	-
Contributions	7,057	11,446
Other income	2,292	13,665
Total Support and Other Revenue	<u>4,457,065</u>	<u>25,111</u>
Change in Net Assets	3,184,464	(1,142,832)
<b>NET ASSETS</b>		
Beginning of year	<u>287,898</u>	<u>1,430,730</u>
End of year	<u>\$ 3,472,362</u>	<u>\$ 287,898</u>

See notes to financial statements

# **Growing Up Green Charter School II**

## Statement of Functional Expenses Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	26	\$ 1,286,659	\$ 312,400	\$ 1,599,059	\$ 735,051	\$ 75,379	\$ 2,409,489
Instructional personnel	83	4,493,320	1,548,118	6,041,438	7,143	-	6,048,581
Non-instructional personnel	7	135,225	19,558	154,783	167,584	-	322,367
Total Personnel Services Costs	<u>116</u>	<u>5,915,204</u>	<u>1,880,076</u>	<u>7,795,280</u>	<u>909,778</u>	<u>75,379</u>	<u>8,780,437</u>
Fringe benefits and payroll taxes		1,186,582	377,560	1,564,142	183,398	15,195	1,762,735
Retirement		47,157	15,005	62,162	7,289	604	70,055
Legal fees		-	-	-	34,753	-	34,753
Accounting and audit services		-	-	-	67,144	-	67,144
Other purchased services		351,679	53,849	405,528	240,529	12,000	658,057
Rent expense		3,157,009	1,004,534	4,161,543	528,376	-	4,689,919
Repairs and maintenance		110,380	35,122	145,502	18,474	-	163,976
Insurance		63,486	20,201	83,687	10,625	-	94,312
Utilities		16,947	5,392	22,339	2,836	-	25,175
Supplies and materials		335,222	90,544	425,766	18,773	-	444,539
Equipment and furnishings		34,661	10,071	44,732	3,583	-	48,315
Staff and professional development		74,423	21,163	95,586	13,086	-	108,672
Marketing and recruiting		22,350	5,496	27,846	-	-	27,846
Technology		98,522	31,349	129,871	16,489	-	146,360
Food services		22,748	5,594	28,342	-	-	28,342
Student services		88,656	21,802	110,458	-	-	110,458
Office expense		42,635	13,566	56,201	7,136	-	63,337
Depreciation and amortization		162,612	51,742	214,354	27,216	-	241,570
Loss on disposal of property and equipment		11,108	3,535	14,643	1,859	-	16,502
Other		49,393	14,996	64,389	10,053	-	74,442
Total Expenses		<u>\$ 11,790,774</u>	<u>\$ 3,661,597</u>	<u>\$ 15,452,371</u>	<u>\$ 2,101,397</u>	<u>\$ 103,178</u>	<u>\$ 17,656,946</u>

See notes to financial statements

## Growing Up Green Charter School II

### Statement of Functional Expenses Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Administrative staff personnel	17	\$ 917,124	\$ 223,984	\$ 1,141,108	\$ 404,936	\$ 20,031	\$ 1,566,075
Instructional personnel	63	3,468,691	1,186,314	4,655,005	1,782	-	4,656,787
Non-instructional personnel	5	54,718	29,896	84,614	184,587	-	269,201
Total Personnel Services Costs	<u>85</u>	<u>4,440,533</u>	<u>1,440,194</u>	<u>5,880,727</u>	<u>591,305</u>	<u>20,031</u>	<u>6,492,063</u>
Fringe benefits and payroll taxes		945,656	306,833	1,252,489	126,111	4,272	1,382,872
Retirement		-	-	-	81,483	-	81,483
Legal fees		24,798	8,046	32,844	3,307	112	36,263
Accounting and audit services		-	-	-	59,223	-	59,223
Other purchased services		113,738	30,430	144,168	267,564	197	411,929
Rent expense		2,818,751	914,588	3,733,339	375,903	12,734	4,121,976
Repairs and maintenance		53,037	17,209	70,246	7,073	240	77,559
Insurance		44,425	14,414	58,839	5,924	201	64,964
Utilities		72,778	23,614	96,392	9,706	329	106,427
Supplies and materials		211,517	54,631	266,148	8,070	273	274,491
Equipment and furnishings		27,111	8,200	35,311	2,753	93	38,157
Staff and professional development		55,383	14,490	69,873	18,450	80	88,403
Marketing and recruiting		21,504	4,993	26,497	-	-	26,497
Technology		52,939	17,177	70,116	7,060	239	77,415
Food services		2,314	537	2,851	-	-	2,851
Student services		23,239	5,395	28,634	-	-	28,634
Office expense		24,320	7,891	32,211	3,243	110	35,564
Depreciation and amortization		124,966	40,547	165,513	16,665	565	182,743
Other		42,470	12,836	55,306	13,810	146	69,262
Total Expenses		<u>\$ 9,099,479</u>	<u>\$ 2,922,025</u>	<u>\$ 12,021,504</u>	<u>\$ 1,597,650</u>	<u>\$ 39,622</u>	<u>\$ 13,658,776</u>

See notes to financial statements



## Growing Up Green Charter School II

### Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,184,464	\$ (1,142,832)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	241,570	182,743
Deferred rent	1,334,321	2,028,147
Gain on forgiveness of Paycheck Protection Program loan	(815,170)	-
Gain on transfer of leases to related party	(3,632,546)	-
Loss on disposal of property and equipment	16,502	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(300,673)	35,032
Due from related party	(25,603)	(209,460)
Prepaid expenses and other current assets	(205,797)	(43,166)
Security deposits	(18,853)	(500)
Accounts payable and accrued expenses	(128,209)	217,596
Accrued payroll and payroll taxes	12,604	328,473
Refundable advances	(27,653)	29,021
Due to related party	787,375	152,706
Net Cash from Operating Activities	422,332	1,577,760
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchases of property and equipment	(546,774)	(436,034)
Net Change in Cash and Restricted Cash	(124,442)	1,141,726
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	3,630,141	2,488,415
End of year	\$ 3,505,699	\$ 3,630,141

See notes to financial statements

## **Growing Up Green Charter School II**

### **Notes to Financial Statements**

June 30, 2022 and 2021

#### **1. Organization and Tax Status**

Growing Up Green Charter School II (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 15, 2015 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 15, 2015 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 June 30, 2025. 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 Jamaica, New York, on September 8, 2016 and the School provided education to approximately 640 students in grades kindergarten through seventh during the 2021-2022 academic year.

Effective July 1, 2022, the School merged with Growing Up Green Charter School ("GUG"). GUG 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 II

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 11). At June 30, 2022, 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	\$ 2,427,983	\$ 3,554,716
Restricted cash - line of credit	1,002,246	-
Restricted cash - escrow	75,470	75,425
	<u>\$ 3,505,699</u>	<u>\$ 3,630,141</u>

## **Growing Up Green Charter School II**

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

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 II**

### **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 \$27,846 and \$26,497.

##### ***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 bases 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 an allowance is not necessary.

## Growing Up Green Charter School II

### 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	\$ 619,763	\$ 439,015
Furniture and fixtures	431,343	341,695
Leasehold improvements	1,914,283	1,742,384
Construction in progress	45,550	-
	<u>3,010,939</u>	<u>2,523,094</u>
Accumulated depreciation and amortization	<u>(768,159)</u>	<u>(569,016)</u>
	<u>\$ 2,242,780</u>	<u>\$ 1,954,078</u>

Construction in progress at June 30, 2022 consists of architect fees and renovation costs, related to the work being performed in multiple classrooms and gym space.

Assets with a cost basis of \$58,929 and accumulated depreciation of \$42,427 were disposed of during the year ended June 30, 2022. Loss on disposal of property and equipment was \$16,502 for the year ended June 30, 2022. There were no disposals during the year ended June 30, 2021.

#### 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	\$ 2,427,983	\$ 3,554,716
Grants and contracts receivable	454,107	153,434
Due from related party	235,063	209,460
	<u>\$ 3,117,153</u>	<u>\$ 3,917,610</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).

## **Growing Up Green Charter School II**

### **Notes to Financial Statements**

June 30, 2022 and 2021

#### **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. Total employer match for the years ended June 30, 2022 and 2021 amounted to \$70,055 and \$81,483.

#### **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 \$3,260,000 and \$3,380,000 of 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 each of the years ended June 30, 2022 and 2021, the School received approximately 75% and 97% 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 technical and financial assistance and by managing the School's real estate and facilities-related needs. During the years ended June 30, 2022 and 2021, the School charged \$325,689 and \$51,518 of operating expenses to Friends of GUG.

Effective July 1, 2021, the lease agreements for two facilities used by the School were transferred to Friends of GUG (see Note 10) and new sublease agreements were 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 \$3,632,546 which is reported as gain on transfer of leases to related party in the statements of activities for year ended June 30, 2022.

## Growing Up Green Charter School II

Notes to Financial Statements  
June 30, 2022 and 2021

### 9. Related Party Transactions (continued)

#### *Growing Up Green Charter School*

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

In March 21, 2017, GUG co-signed a \$750,000 commercial line of credit with a financial institution along with the School. GUG 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 as of June 30, 2022 and 2021 and was closed on October 21, 2021.

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

	2022	2021
Friends of GUG	\$ 235,063	\$ 209,460
GUG	<u>(1,298,772)</u>	<u>(511,397)</u>
	<u>\$ (1,063,709)</u>	<u>\$ (301,937)</u>

### 10. Commitments

In July 2016, the School entered into a lease agreement for office and classroom space at 84-35 152<sup>nd</sup> Street, Jamaica, New York, expiring on June 30, 2036, with a renewal option for an additional ten years and subsequently a renewal option for an additional five years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. 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 concurrent to the lease term.

In September 2019, the School entered into a lease agreement for office and classroom space at 89-17 161<sup>st</sup> Street, Jamaica, New York, which commenced July 1, 2020 and expires July 31, 2053. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. Under the terms of the lease, the School paid a security deposit in the amount of \$130,000. 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 concurrent to the lease term.



## Growing Up Green Charter School II

### Notes to Financial Statements June 30, 2022 and 2021

#### 10. Commitments (*continued*)

The future minimum lease payments under the above leases are as follows for the year ending June 30:

2023	\$ 3,442,497
2024	3,541,569
2025	3,633,157
2026	3,732,300
2027	3,855,418
Thereafter	<u>106,907,438</u>
	<u>\$125,112,379</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 was \$4,689,919 and \$4,121,976.

#### 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 \$807,328 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 December 9, 2021, \$807,328 of principal and \$7,842 of accrued interest were forgiven by the SBA, and as such, the School has recognized the proceeds and accrued interest as other revenue in the accompanying statements of activities.

## **Growing Up Green Charter School II**

### **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 reimbursements. 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 with Growing Up Green Charter School ("GUG"). GUG 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.

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**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 II**

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 II (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