

Growing Up Green Charter Schools

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2023

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Independent Auditors' Report

Board of Trustees Growing Up Green Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Growing Up Green Charter Schools (a nonprofit organization), 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Growing Up Green Charter Schools as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, Growing Up Green Charter Schools adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of a right of use asset and related lease liability effective July 1, 2022. Our opinion is not modified with respect to that 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 Growing Up Green Charter Schools' 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 Schools' 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 Schools' 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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of activities by school for the year ended June 30, 2023 on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 19, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 20, 2023, on our consideration of Growing Up Green Charter Schools' 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 Schools' 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 Schools' internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 20, 2023

Growing Up Green Charter Schools

Statement of Financial Position June 30, 2023

ASSETS

Current Assets

Cash	\$ 8,329,764
Grants and contracts receivable	1,135,824
Due from related party	1,067,190
Prepaid expenses and other current assets	<u>1,237,302</u>
Total Current Assets	11,770,080

Property and equipment, net	3,547,083
Security deposits	415,250
Restricted cash - escrow	148,226
Right of use asset, operating leases, net	<u>99,729,973</u>

\$ 115,610,612

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 541,429
Accrued payroll and payroll taxes	2,143,956
Operating lease liability	2,494,402
Refundable advances	<u>1,074,390</u>
Total Current Liabilities	6,254,177

Operating lease liability, less current portion	<u>101,270,172</u>
Total Liabilities	107,524,349

Net assets, without donor restrictions	<u>8,086,263</u>
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\$ 115,610,612

See notes to financial statements

Growing Up Green Charter Schools

Statement of Activities
Year Ended June 30, 2023

OPERATING REVENUE

Public School District	
Regular student enrollment	\$ 25,827,519
Student with disabilities	3,982,537
Facilities funding	5,035,535
Grants and Contracts	
Federal grants	1,131,304
Federal E-Rate and IDEA	385,743
State and local	<u>101,187</u>
Total Operating Revenue	<u>36,463,825</u>

EXPENSES

Program Services	
Regular education	23,248,501
Special education	10,881,885
After school	<u>60,441</u>
Total Program Services	34,190,827
Supporting Services	
Management and general	4,237,719
Fundraising	<u>189,675</u>
Total Expenses	<u>38,618,221</u>
(Deficit) from Operations	<u>(2,154,396)</u>

SUPPORT, OTHER REVENUE, AND LOSSES

Contributions	158,717
Other income	159,805
Loss of disposal of property and equipment	<u>(313,060)</u>
Total Support, Other Revenue, and Losses	<u>5,462</u>

Change in Net Assets	(2,148,934)
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NET ASSETS, WITHOUT DONOR RESTRICTIONS

Beginning of year	3,472,362
Acquisition of net assets pursuant to merger of related charter school	<u>6,762,835</u>
End of year	<u>\$ 8,086,263</u>

See notes to financial statements

Growing Up Green Charter Schools

Statement of Functional Expenses Year Ended June 30, 2023

	No. of Positions	Program Services				Management and General	Fundraising	Total
		Regular Education	Special Education	After School	Total			
Personnel Services Costs								
Administrative staff personnel	56	\$ 2,611,550	\$ 858,102	\$ -	\$ 3,469,652	\$ 1,641,567	\$ 142,657	\$ 5,253,876
Instructional personnel	185	9,899,898	5,187,002	11,241	15,098,141	4,587	-	15,102,728
Non instructional personnel	14	98,449	53,328	-	151,777	344,985	168	496,930
Total Personnel Services Costs	<u>255</u>	<u>12,609,897</u>	<u>6,098,432</u>	<u>11,241</u>	<u>18,719,570</u>	<u>1,991,139</u>	<u>142,825</u>	<u>20,853,534</u>
Fringe benefits and payroll taxes		2,764,758	1,368,334	2,736	4,135,828	429,759	32,706	4,598,293
Retirement		153,865	79,237	182	233,284	23,980	2,034	259,298
Legal fees		-	-	-	-	74,976	-	74,976
Accounting and audit services		-	-	-	-	128,115	-	128,115
Other professional and consulting services		146,981	50,711	-	197,692	375,416	12,110	585,218
Building and land rent		5,269,439	2,341,177	-	7,610,616	857,158	-	8,467,774
Repairs and maintenance		140,148	60,476	-	200,624	22,639	-	223,263
Insurance		156,719	75,101	-	231,820	25,977	-	257,797
Utilities		159,569	84,593	-	244,162	27,170	-	271,332
Supplies and materials		505,964	155,264	46,282	707,510	13,862	-	721,372
Equipment and furnishings		64,213	22,830	-	87,043	4,982	-	92,025
Staff development		145,014	45,783	-	190,797	101,190	-	291,987
Marketing and recruiting		83,479	35,742	-	119,221	7,005	-	126,226
Technology		205,449	102,455	-	307,904	34,409	-	342,313
Food services		27,919	7,749	-	35,668	-	-	35,668
Student services		232,553	62,839	-	295,392	-	-	295,392
Office expense		205,601	101,401	-	307,002	34,334	-	341,336
Depreciation and amortization		330,390	161,994	-	492,384	55,089	-	547,473
Other		46,543	27,767	-	74,310	30,519	-	104,829
Total Expenses		<u>\$ 23,248,501</u>	<u>\$ 10,881,885</u>	<u>\$ 60,441</u>	<u>\$ 34,190,827</u>	<u>\$ 4,237,719</u>	<u>\$ 189,675</u>	<u>\$ 38,618,221</u>

See notes to financial statements

Growing Up Green Charter Schools

Statement of Cash Flows Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (2,148,934)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	547,473
Amortization of right of use asset - operating lease	5,319,141
Loss on disposal of property and equipment	313,060
Changes in operating assets and liabilities, net of acquisition	
Grants and contracts receivable	(69,994)
Due from related party	(582,913)
Prepaid expenses and other current assets	(251,552)
Security deposits	17,201
Accounts payable and accrued expenses	73,537
Accrued payroll and payroll taxes	246,601
Operating lease liability	(3,131,600)
Refundable advances	947,535
Net Cash from Operating Activities	<u>1,279,555</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(1,271,237)
Cash acquired from merger of related charter school	<u>4,963,973</u>
Net Cash from Investing Activities	<u>3,692,736</u>

Net Change in Cash and Restricted Cash	4,972,291
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CASH AND RESTRICTED CASH

Beginning of year	<u>3,505,699</u>
End of year	<u>\$ 8,477,990</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for amounts included in the measurement of lease liabilities	\$ 5,675,342
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See notes to financial statements

Growing Up Green Charter Schools

Notes to Financial Statements
June 30, 2023

1. Organization and Tax Status

Growing Up Green Charter Schools is a New York State, not-for-profit educational corporation operating in New York City pursuant to Article 56 of the Education Law of the State of New York. The accompanying financial statements include the following charter schools, collectively referred to as the "School":

Growing Up Green Charter School ("GUG") operates a charter school in the borough of Queens, New York City. GUG 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 GUG charter, which now expires on June 30, 2027.

Growing Up Green Charter School II ("GUG II") operates a charter school in the borough of Queens, New York City. GUG II 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. The Board of Regents approved and issued several renewals to GUG II charter, which now expires on 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. The School provided education to approximately 1468 students in grades kindergarten through eight during the 2022-2023 academic year.

GUG and GUG II merged into a single not-for-profit legally entity under GUG II, which serves as the sole surviving educational corporation. The plan of the merger was approved by the New York State Board of Regents on June 2, 2022, and became effective for financial reporting purposes on July 1, 2022 and the surviving entity's name was changed to Growing Up Green Charter Schools.

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.

Growing Up Green Charter Schools

Notes to Financial Statements
June 30, 2023

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.

Adoption of New Accounting Pronouncement

Leases (Topic 842)

The School adopted Financial Accounting Standards Board Topic 842, *Leases* ("Topic 842"), using the effective date method with July 1, 2022, as the date of initial adoption, with certain practical expedients available.

The School elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing whether the contracts contain leases under the new standard, whether classification of capital (now finance) leases or operating leases would be different in accordance with the new guidance, or whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the School recognized a lease liability of \$106,253,121, that represents the present value of the remaining operating lease payments of \$161,781,849, discounted with risk free interest rates using the treasury bond rate ranging from 2.84% to 3.11% depending on the lease term, and a right of use ("ROU") asset of \$105,049,114, that represents the operating lease liability of \$106,253,121, adjusted for accrued rent of \$1,204,007.

The adoption of Topic 842 had a material impact on the School's statement of financial position but did not have a material impact on its statements of activities and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

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.

Growing Up Green Charter Schools

Notes to Financial Statements
June 30, 2023

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

Net Asset Presentation (continued)

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 statement of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2023.

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.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position to the amounts presented in the statement of cash flows at June 30, 2023:

Cash	\$ 8,329,764
Restricted cash	<u>148,226</u>
	<u><u>\$ 8,477,990</u></u>

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.

Growing Up Green Charter Schools

Notes to Financial Statements
June 30, 2023

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

Property and Equipment (continued)

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

Computers and 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 was no asset impairments for the year ended June 30, 2023.

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities on the accompanying statement of financial position. The School made the short-term lease election for leases with an initial term of less than 12 months. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The leases do not provide an implicit borrowing rate. The School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School applies the short-term lease exemption to all of its classes of underlying assets.

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.

Growing Up Green Charter Schools

Notes to Financial Statements
June 30, 2023

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

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.

Marketing and Recruiting

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Marketing and recruiting expense for the year ended June 30, 2023 was \$126,226.

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 loss on disposal of property and equipment, revenue and support from non-governmental and other sources that include contributions revenue and other activities considered to be of 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 such as personnel services costs, fringe benefits and payroll taxes, other professional and consulting services, and building and land rent 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, 2020.

Growing Up Green Charter Schools

Notes to Financial Statements
June 30, 2023

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

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 20, 2023.

On September 28, 2023, the School entered into a \$2,000,000 revolving line of credit agreement with JP Morgan Chase to provide working capital. The line has an expiration date of March 22, 2025 and bears interest at the one-month Standard Only Financing Rate rate. The loan is interest only which is payable on a monthly basis.

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.

4. Property and Equipment

Property and equipment, net consists of the following at June 30, 2023:

Furniture and fixtures	\$ 613,079
Computers and equipment	1,810,932
Leasehold improvements	<u>3,078,399</u>
	5,502,410
Accumulated depreciation and amortization	<u>(1,955,327)</u>
	<u><u>\$ 3,547,083</u></u>

Assets with a cost basis of \$2,244,330 and accumulated depreciation of \$1,931,270 were disposed of during the year ended June 30, 2023. Loss on disposal of property and equipment was \$313,060 for the year ended June 30, 2023.

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, 2023:

Cash	\$ 8,329,764
Grants and contracts receivable	1,135,824
Due from related party	<u>1,067,190</u>
	<u><u>\$ 10,532,778</u></u>

Growing Up Green Charter Schools

Notes to Financial Statements
June 30, 2023

5. Liquidity and Availability of Financial Assets (*continued*)

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. 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. Total employer match for the year ended June 30, 2023 amounted to \$259,298.

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. At June 30, 2023, approximately \$7,978,000 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 the year ended June 30, 2023, the School received approximately 95% 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)

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 year ended June 30, 2023, the School charged \$1,076,271 of operating expenses to Friends of GUG. At June 30, 2023, the balance due from Friends of GUG was \$1,067,190.

Effective July 1, 2021, the lease agreements for three 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).

Growing Up Green Charter Schools

Notes to Financial Statements June 30, 2023

10. Commitments

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 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 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.

In July 2016, the School entered into a lease agreement for office and classroom space at 84-35 152nd 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 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 161st 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 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.

The School entered into five operating leases for copiers between 2020 and 2022, with payments due on a monthly basis with varying expiration dates through 2026.

ROU assets consist of the following at June 30, 2023:

ROU assets - operating lease	\$ 105,049,114
Less: accumulated amortization	<u>(5,319,141)</u>
	<u>\$ 99,729,973</u>
Weighted average remaining lease term	24.38 years
Weighted average discount rate	3.05%

Growing Up Green Charter Schools

Notes to Financial Statements June 30, 2023

10. Commitments (continued)

The future minimum lease payments under the lease agreements are as follows for the years ending June 30:

2024	\$ 5,601,920
2025	5,753,352
2026	5,859,598
2027	5,993,358
2028	6,167,355
Thereafter	<u>126,730,923</u>
Total minimum lease payments	156,106,506
Present value discount	<u>(52,341,932)</u>
Present value of lease liabilities	103,764,574
Current portion	<u>(2,494,402)</u>
Lease liabilities, less current portion	<u><u>\$ 101,270,172</u></u>

Building and land rent/lease expense for the year ended June 30, 2023 was \$8,467,774.

Utilities expense for the year ended June 30, 2023 was \$271,232.

Copier lease expense for the year ended June 30, 2023 was \$150,514.

11. 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.

Growing Up Green Charter Schools

Notes to Financial Statements June 30, 2023

12. Merger Information

As stated in Note 1, the Board of Regents approved the merger of GUG effective July 1, 2022 with GUG II. GUG ceased to exist as a separate legal entity in conjunction with the merger.

The plan of merger was approved by the Board of Regents. Below is a summary of opening balances at July 1, 2022 for GUG:

ASSETS

Cash	\$ 3,890,672
Grants and contracts receivable	611,723
Due from related party	1,547,986
Prepaid expenses and other current assets	272,996
Property and equipment, net	893,600
Restricted cash - line of credit	1,002,246
Restricted cash - escrow	71,055
Security deposits	213,433
	<u>\$ 8,503,711</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 274,126
Accrued payroll and payroll taxes	1,060,890
Deferred rent, current portion	46,971
Refundable advances	125,487
Deferred rent	233,402
Total Liabilities	<u>1,740,876</u>
Net assets, without donor restrictions	<u>6,762,835</u>
	<u>\$ 8,503,711</u>

Growing Up Green Charter Schools

Supplementary Information

Year Ended June 30, 2023

Growing Up Green Charter Schools

Schedule of Activities by School Year Ended June 30, 2023

	GUG	GUG II	Total
OPERATING REVENUE			
Public School District			
Regular student enrollment	\$ 13,292,965	\$ 12,534,554	\$ 25,827,519
Student with disabilities	1,905,125	2,077,412	3,982,537
Facilities funding	1,269,072	3,766,463	5,035,535
Grants and Contracts			
Federal grants	650,287	481,017	1,131,304
Federal E-Rate and IDEA	202,206	183,537	385,743
State and local	55,797	45,390	101,187
Total Operating Revenue	<u>17,375,452</u>	<u>19,088,373</u>	<u>36,463,825</u>
EXPENSES			
Program Services			
Regular education	9,824,200	13,424,301	23,248,501
Special education	5,657,920	5,223,965	10,881,885
After school	14,159	46,282	60,441
Total Program Services	<u>15,496,279</u>	<u>18,694,548</u>	<u>34,190,827</u>
Supporting Services			
Management and general	1,998,491	2,239,228	4,237,719
Fundraising	139,869	49,806	189,675
Total Expenses	<u>17,634,639</u>	<u>20,983,582</u>	<u>38,618,221</u>
(Deficit) from Operations	<u>(259,187)</u>	<u>(1,895,209)</u>	<u>(2,154,396)</u>
SUPPORT, OTHER REVENUE, AND LOSSES			
Contributions	3,470	155,247	158,717
Other income	72,967	86,838	159,805
Loss of disposal of property and equipment	(244,194)	(68,866)	(313,060)
Support, Other Revenue, and Losses	<u>(167,757)</u>	<u>173,219</u>	<u>5,462</u>
Change in Net Assets	(426,944)	(1,721,990)	(2,148,934)
NET ASSETS, WITHOUT DONOR RESTRICTIONS			
Beginning of year	-	3,472,362	3,472,362
Acquisition of net assets pursuant to merger of related charter school	<u>6,762,835</u>	<u>-</u>	<u>6,762,835</u>
End of year	<u>\$ 6,335,891</u>	<u>\$ 1,750,372</u>	<u>\$ 8,086,263</u>

See independent auditors' report

Growing Up Green Charter Schools

Uniform Guidance
Schedules and Reports

June 30, 2023

Growing Up Green Charter Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021234620	\$ -	\$ 108,147
Title I Grants to Local Educational Agencies	84.010	0021235230	-	111,557
			-	219,704
English Language Acquisition State Grants	84.365	0293224620	-	24,428
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147234620	-	18,000
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147235230	-	18,197
			-	36,197
Student Support and Academic Enrichment Program	84.424	0204234620	-	10,000
Student Support and Academic Enrichment Program	84.424	0204235230	-	10,000
			-	20,000
COVID -19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II	84.425W	5218214620	-	11,458
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891214620	-	165,186
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891215230	-	117,614
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880214620	-	269,499
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880215230	-	184,371
			-	748,128
Total U.S. Department of Education			-	1,048,457
<u>Federal Communications Commission</u>				
Pass-Through Universal Service Administrative Company:				
COVID-19 Emergency Connectivity Fund Program	32.009	not available	-	84,847
Total Expenditures of Federal Awards			\$ -	\$ 1,133,304

See independent auditors' report and notes to schedule of expenditures of federal awards

Growing Up Green Charter Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Growing Up Green Charter Schools (the "School"), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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 Schools**

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 Schools (the "School") (a nonprofit organization), 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 20, 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 20, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

**Board of Trustees
Growing Up Green Charter Schools**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Growing Up Green Charter Schools' (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 20, 2023

Growing Up Green Charter Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425D

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

84.425W

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP
HCY II

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2023.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no findings in the prior year.

Independent Auditors' Communication on Internal Control Matters

The Board of Trustees Growing Up Green Charter Schools

In planning and performing our audit of the financial statements of Growing Up Green Charter Schools (the "School") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, audit committee, the Board of Trustees, The State Education Department of the State University of New York, and others within the School, and is not intended to be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by School personnel during the course of our audit.

PKF O'Connor Davies, LLP

Harrison, New York
October 20, 2023