

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hyde Leadership Charter School - Brooklyn

Opinion

We have audited the accompanying financial statements of Hyde Leadership Charter School - Brooklyn (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

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 Hyde Leadership Charter School - Brooklyn'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 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, 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 Hyde Leadership Charter School - Brooklyn'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 Hyde Leadership Charter School - Brooklyn'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 November 1, 2023, on our consideration of Hyde Leadership Charter School - Brooklyn'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 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 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 Hyde Leadership Charter School - Brooklyn's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lutz + Carr, LLP". The signature is fluid and cursive, with "Lutz" and "Carr" connected by a line, and "LLP" written in a smaller size to the right.

New York, New York
November 1, 2023

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Cash (Notes 8 and 10)	\$ 1,687,344	\$2,375,867
Restricted cash - New York City Department of Education reserve (Note 8)	75,251	75,236
Unconditional promises to give (Notes 1b, 4a and 10)		
Without donor restrictions	1,560,931	1,940,911
Prepaid expenses and other assets	63,043	81,033
	<u>3,386,569</u>	<u>4,473,047</u>
Operating lease right-of-use assets (Notes 1d and 1k)	11,125	-
Finance lease right-of-use assets (Notes 1d and 1k)	28,792,985	-
Property and equipment, at cost, net of accumulated depreciation (Notes 1c and 5)	238,172	532,320
Security deposit	240,870	240,870
	<u><u>\$32,669,721</u></u>	<u><u>\$5,246,237</u></u>
Total Assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 286,030	\$ 516,076
Salaries, payroll taxes and benefits payable	440,114	556,604
Refundable advance - New York City Department of Education (Note 7)	31,974	73,580
Operating lease liabilities (Notes 1d, 1k and 6)	11,125	-
Finance lease liabilities (Notes 1d, 1k and 6)	30,408,675	-
Capital lease obligation (Note 1d)	-	185,742
Deferred rent (Note 1d)	-	882,460
Total Liabilities	<u>31,177,918</u>	<u>2,214,462</u>
Commitments and Contingency (Notes 9 and 11)		
Net Assets		
Without Donor Restrictions		
Board designated (Note 3)	15,000	15,000
New York City Department of Education reserve (Note 9)	75,251	75,236
Other	1,401,552	2,941,539
Total Net Assets	<u>1,491,803</u>	<u>3,031,775</u>
Total Liabilities and Net Assets	<u><u>\$32,669,721</u></u>	<u><u>\$5,246,237</u></u>

See notes to financial statements.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions		
Revenues and Other Support		
Public School District:		
Resident student enrollment - New York City Department of Education (Note 7)	\$ 9,858,732	\$10,270,336
Federal grants	2,296,740	2,915,473
Contributions	253,608	7,444
Interest income	32,287	4,734
Other income	13,730	925
	<u>12,455,097</u>	<u>13,198,912</u>
Total Revenues and Other Support	<u>12,455,097</u>	<u>13,198,912</u>
Expenses		
Program Services	11,940,338	12,386,403
Supporting Services		
Management and general	1,978,607	1,693,836
Fundraising	76,124	91,703
Total Supporting Services	<u>2,054,731</u>	<u>1,785,539</u>
	<u>13,995,069</u>	<u>14,171,942</u>
Decrease in net assets	(1,539,972)	(973,030)
Net assets, beginning of year	<u>3,031,775</u>	<u>4,004,805</u>
Net Assets, End of Year	<u>\$ 1,491,803</u>	<u>\$ 3,031,775</u>

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023 WITH COMPARABLE TOTALS FOR 2022

	Number of Positions	2023						2022	
		Program Services			Supporting Services			Total Expenses	Total Expenses
		Regular Education	Special Education	Total	Management and General	Fundraising	Total		
Personnel Services Costs									
Administrative staff personnel	22	\$ 1,099,623	\$ 394,317	\$ 1,493,940	\$ 593,594	\$ 52,451	\$ 646,045	\$ 2,139,985	\$ 1,830,406
Instructional personnel	65	3,138,304	1,912,286	5,050,590	-	-	-	5,050,590	5,205,968
Non-instructional personnel	4	328,022	77,305	405,327	15,463	953	16,416	421,743	313,833
Total Personnel Services Costs		4,565,949	2,383,908	6,949,857	609,057	53,404	662,461	7,612,318	7,350,207
Employee benefits and payroll taxes		1,151,315	305,090	1,456,405	159,183	9,810	168,993	1,625,398	1,647,851
Pension		137,337	36,393	173,730	18,990	1,170	20,160	193,890	190,938
Management company fees		25,000	-	25,000	25,000	-	25,000	50,000	100,000
Legal fees		-	-	-	-	-	-	-	4,414
Accounting and audit fees		-	-	-	254,996	-	254,996	254,996	81,257
Other purchased, professional and consulting services		717,585	72,581	790,166	182,369	2,334	184,703	974,869	1,209,497
Occupancy		126,589	33,545	160,134	17,502	1,079	18,581	178,715	1,573,796
Repairs and maintenance		35,083	9,297	44,380	4,851	299	5,150	49,530	74,291
Insurance		47,260	12,524	59,784	6,534	403	6,937	66,721	60,583
Supplies		106,216	23,421	129,637	-	-	-	129,637	132,487
Equipment and furnishings		11,817	2,605	14,422	-	-	-	14,422	15,734
Staff development		73,094	19,369	92,463	12,644	905	13,549	106,012	151,692
Marketing and recruitment		23,687	5,742	29,429	1,613	99	1,712	31,141	107,460
Food service		47,201	10,408	57,609	-	-	-	57,609	57,808
Student services		344,531	53,815	398,346	-	-	-	398,346	595,287
Office expenses		105,441	1,688	107,129	99,953	54	100,007	207,136	382,869
Other		26,950	7,142	34,092	6,115	230	6,345	40,437	146,049
Total expenses before depreciation, amortization and interest		7,545,055	2,977,528	10,522,583	1,398,807	69,787	1,468,594	11,991,177	13,882,220
Interest		476,974	-	476,974	476,972	-	476,972	953,946	-
Depreciation and amortization		743,705	197,076	940,781	102,828	6,337	109,165	1,049,946	289,722
Total Expenses, 2023		\$ 8,765,734	\$3,174,604	\$11,940,338	\$ 1,978,607	\$ 76,124	\$2,054,731	\$13,995,069	
Total Expenses, 2022		\$10,026,619	\$2,359,784	\$12,386,403	\$ 1,693,836	\$ 91,703	\$1,785,539		\$14,171,942

See notes to financial statements.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Number of Positions	Program Services			Supporting Services			Total Expenses
		Regular Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel Services Costs								
Administrative staff personnel	19	\$ 782,781	\$ 298,019	\$ 1,080,800	\$ 706,128	\$ 43,478	\$ 749,606	\$ 1,830,406
Instructional personnel	97	4,181,085	1,024,883	5,205,968	-	-	-	5,205,968
Non-instructional personnel	4	241,472	57,709	299,181	13,802	850	14,652	313,833
Total Personnel Services Costs		5,205,338	1,380,611	6,585,949	719,930	44,328	764,258	7,350,207
Employee benefits and payroll taxes		1,166,991	309,521	1,476,512	161,401	9,938	171,339	1,647,851
Pension		135,220	35,864	171,084	18,702	1,152	19,854	190,938
Management company fees		100,000	-	100,000	-	-	-	100,000
Legal fees		-	-	-	4,414	-	4,414	4,414
Accounting and audit fees		-	-	-	81,257	-	81,257	81,257
Other purchased, professional and consulting services		894,176	64,797	958,973	227,981	22,543	250,524	1,209,497
Occupancy		1,114,546	295,611	1,410,157	154,148	9,491	163,639	1,573,796
Repairs and maintenance		52,612	13,954	66,566	7,277	448	7,725	74,291
Insurance		42,904	11,379	54,283	5,935	365	6,300	60,583
Supplies		108,551	23,936	132,487	-	-	-	132,487
Equipment and furnishings		12,891	2,843	15,734	-	-	-	15,734
Staff development		107,028	28,387	135,415	15,366	911	16,277	151,692
Marketing and recruitment		82,979	19,741	102,720	4,465	275	4,740	107,460
Food service		47,364	10,444	57,808	-	-	-	57,808
Student services		502,728	92,559	595,287	-	-	-	595,287
Office expenses		181,742	-	181,742	201,127	-	201,127	382,869
Other		66,370	15,718	82,088	63,456	505	63,961	146,049
Total expenses before depreciation, amortization and interest		9,821,440	2,305,365	12,126,805	1,665,459	89,956	1,755,415	13,882,220
Interest		-	-	-	-	-	-	-
Depreciation and amortization		205,179	54,419	259,598	28,377	1,747	30,124	289,722
Total Expenses		<u>\$10,026,619</u>	<u>\$2,359,784</u>	<u>\$12,386,403</u>	<u>\$ 1,693,836</u>	<u>\$ 91,703</u>	<u>\$1,785,539</u>	<u>\$14,171,942</u>

See notes to financial statements.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$(1,539,972)	\$ (973,030)
Adjustments to reconcile change in net assets to cash used by operating activities:		
Non-cash operating lease expense	8,477	-
Depreciation and amortization	1,049,946	289,722
Bad debt expense	-	46,475
(Increase) decrease in:		
Unconditional promises to give	379,980	(17,030)
Prepaid expenses and other assets	17,990	(34,836)
Security deposit	-	(151,620)
Increase (decrease) in:		
Operating lease liability	(8,477)	-
Accounts payable and accrued expenses	(230,046)	69,754
Salaries, payroll taxes and benefits payable	(116,490)	40,973
Refundable advance - New York City Department of Education	(41,606)	44,279
Deferred rent	-	471,980
Net Cash Used By Operating Activities	<u>(480,198)</u>	<u>(213,333)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(60,883)</u>	<u>(248,845)</u>
Cash Flows From Financing Activities		
Payment of capital lease obligation	-	(94,916)
Payment of finance lease liabilities	<u>(147,427)</u>	-
Net Cash Used By Financing Activities	<u>(147,427)</u>	<u>(94,916)</u>
Net decrease in cash and restricted cash	(688,508)	(557,094)
Cash and restricted cash, beginning of year	<u>2,451,103</u>	<u>3,008,197</u>
Cash and Restricted Cash, End of Year	<u><u>\$ 1,762,595</u></u>	<u><u>\$ 2,451,103</u></u>
Supplementary Disclosure of Cash Flow Information		
Interest paid	<u><u>\$ 953,947</u></u>	<u><u>\$ 13,047</u></u>
Non-cash investing activities:		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	<u><u>\$ 19,602</u></u>	<u><u>\$ -</u></u>
Finance lease right-of-use assets obtained in exchange for finance lease liabilities	<u><u>\$ 29,487,900</u></u>	<u><u>\$ -</u></u>
Equipment acquired under capital leases	<u><u>\$ -</u></u>	<u><u>\$ 250,776</u></u>

See notes to financial statements.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Hyde Leadership Charter School - Brooklyn's ("HLCS") mission is to develop the deeper character and unique potential of each student. Using the Hyde Process for family-based character education, HLCS unites parents, teachers and students in helping each student achieve his or her best academically and in sports, the arts, and the community. Rigorous learning attitudes, leadership skills and a social conscience lay the foundation for each student's success in college and fulfillment in life. HLCS serves grades K-8. The Hyde Middle School opened in September 2018.

b - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to HLCS, that is, in substance, unconditional. Conditional promises to give - that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future - are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

HLCS uses the allowance method to account for uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

c - Property and Equipment

Property and equipment are stated at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

d - Lease Right-of-Use Assets and Lease Liabilities

For leases with an initial term greater than twelve months, HLCS' lease liabilities are initially recorded at the present value of the unpaid lease payments as of July 1, 2022. HLCS' lease right-of-use assets are initially recorded at the carrying amount of the lease liabilities adjusted for initial direct costs, accruals, prepayments and lease incentives, if any. HLCS determines whether a lease is classified as an operating lease or a finance lease at the lease commencement date.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies (continued)**d - Lease Right-of-Use Assets and Lease Liabilities (continued)**

For 2022, HCLS recorded rent expense associated with its operating leases on a straight-line basis over the life of the leases. The difference between the straight-line amount and the amount actually paid during the year was recorded as a liability and an expense in the accompanying financial statements. HCLS recorded assets and liabilities associated with its capital leases at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets were depreciated over the shorter of their related lease terms or estimated useful lives, and such amounts are included in depreciation expense in the statement of activities.

e - Advertising and Promotion Costs

Advertising and promotion costs are charged to operations when the advertising first takes place.

f - Financial Statement Presentation

HLCS' financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require HLCS to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of HLCS. These net assets may be used at the discretion of HLCS' management and Board of Directors.

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HLCS or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

g - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of HLCS' expenses are directly related to program activities. The expenses that are allocated include personnel services costs, employee benefits and payroll taxes, depreciation, insurance, repairs and maintenance, office expenses and interest, which are allocated based on employee time and effort.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies (continued)**h - Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i - Tax Status

HLCS is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

j - Subsequent Events

HLCS has evaluated subsequent events through November 1, 2023, the date that the financial statements are considered available to be issued.

k - New Accounting Pronouncements

During 2023, HLCS adopted FASB ASU 2016-02, *Leases* ("Topic 842"). The core principles of ASU 2016-02 change the way organizations account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. As such, results for 2023 are presented under *Topic 842*, while results for 2022 continue to be reported in accordance with historical accounting practices. The adoption of *Topic 842* did not have a significant impact on HLCS' net assets as of June 30, 2023.

As part of the adoption of *Topic 842*, HLCS elected to apply the modified retrospective transition approach as of the date of initial application without restating comparative period financial statements. In addition, HLCS elected to apply the risk-free rate to its leases when the rate implicit in the lease is not readily determinable. As such, HLCS has applied the risk-free rate to its facility lease (Note 6b).

Note 2 - Information Regarding Liquidity and Availability

HLCS operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of the per pupil allocation from the New York Department of Education, and revenue from other sources earned during the year. HLCS considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to management and general and fundraising activities undertaken to support those services.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 2 - Information Regarding Liquidity and Availability (continued)

HLCS regularly monitors liquidity to meet its operating needs and other commitments and obligations. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures.

HLCS' financial assets as of June 30, 2023 and 2022 and those available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year End:		
Cash and restricted cash	\$1,762,595	\$2,451,103
Unconditional promises to give	1,560,931	1,940,911
Other receivables (included in prepaid expenses and other assets)	<u>25,075</u>	<u>45,875</u>
Total Financial Assets	3,348,601	4,437,889
Less: Amounts not Available to be Used within One Year:		
Board designated fund	(15,000)	(15,000)
Restricted cash - New York City Department of Education reserve	<u>(75,251)</u>	<u>(75,236)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$3,258,350</u>	<u>\$4,347,653</u>

In addition to these financial assets available within one year, HLCS' board designated funds could be made available at any time to meet cash needs for general expenditures at the discretion of the Board.

Note 3 - Board Designated Net Assets

HLCS established a board designated fund to promote its long-term financial stability.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 4 - Promises to Give

a - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

b - Conditional Promises to Give

A portion of HLCS's revenue is derived from cost-reimbursable federal and state contracts and grants, which are contingent upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when HLCS has incurred expenditures in compliance with specific contract or grant provisions. As of June 30, 2023 HLCS received cost-reimbursable grants of \$2,287,673 that have not been recognized because qualifying expenditures have not yet been incurred.

Note 5 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2023</u>	<u>2022</u>
Building equipment and improvements	5 years	\$ 316,244	\$ 256,488
Computer equipment	2-7 years	740,576	1,292,736
Furniture and fixtures	5-7 years	147,187	188,777
		1,204,007	1,738,001
Less: Accumulated depreciation		<u>(965,835)</u>	<u>(1,205,681)</u>
		<u>\$ 238,172</u>	<u>\$ 532,320</u>

Note 6 - Lease Liabilities

a - Operating Leases

HLCS utilizes equipment under operating leases with terms expiring through December 2024.

Operating lease cost for the year ended June 30, 2023 was \$8,904. There were no variable lease costs incurred. As of June 30, 2023, the weighted average remaining term of HLCS' operating leases is 16 months and the weighted average discount rate is 2.85%

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 6 - Lease Liabilities (continued)**a - Operating Leases (continued)**

Maturities of HCLS' operating lease liabilities as of June 30, 2023 are as follows:

Year ending June 30, 2024	\$ 8,904
Through December 31, 2024	<u>2,418</u>
	11,322
Less: Amount attributable to interest	<u>(197)</u>
	<u><u>\$11,125</u></u>

Rent expense for the year ended June 30, 2022 was \$1,427,037.

b - Finance Leases

HLCS occupies space for its middle school under a finance lease agreement which expires on June 30, 2061. The lease requires HLCS to fund a capital reserve account controlled by the landlord with a balance of \$25,000 as of June 30, 2023. The lease also requires HLCS to maintain a security deposit of \$237,500.

HLCS has also entered into three finance lease agreements for computer equipment with terms expiring through June 30, 2025.

During the year ended June 30, 2023, amortization of HLCS' finance lease right-of-use assets totaled \$869,161. Interest expense incurred on HLCS' finance lease liabilities totaled \$953,423. There were no variable lease costs incurred. As of June 30, 2023, the weighted average remaining term of HLCS' finance leases was 460 months and the weighted average interest rate was 3.13%.

Maturities of HLCS' finance lease obligations as of Jun 30, 2023 are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 1,113,564
2025	1,046,764
2026	1,026,630
2027	1,047,163
2028	1,068,106
Thereafter, through June 30, 2061	<u>50,237,094</u>
	55,539,321
Less: Amount attributable to interest	<u>(25,130,646)</u>
Principal amount	<u><u>\$30,408,675</u></u>

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 6 - Lease Liabilities (continued)

b - Finance Leases (continued)

Computer equipment held under capital leases totaled \$173,120 (net of accumulated depreciation of \$77,657) at June 30, 2022. Interest expense under HLCS' capital lease obligations totaled \$14,212 for the year ended June 30, 2022.

Note 7 - Resident Student Enrollment

HLCS' per pupil allocation is determined by the New York State Education Department using New York State's charter school funding formula.

HLCS received per pupil allocation payments from the New York Department of Education in excess of the actual per pupil allocation for the years ended June 30, 2023 and 2022. The excess allocation received is recorded as a refundable advance in the statement of financial position.

Note 8 - Restricted Cash

The New York City Department of Education requires HLCS to maintain a \$75,000 cash reserve.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows:

	<u>2023</u>	<u>2022</u>
Cash	\$1,687,344	\$2,375,867
Restricted cash - New York City Department of Education Reserve	<u>75,251</u>	<u>75,236</u>
Total Cash and Restricted Cash Shown in the Statement of Cash Flows	<u><u>\$1,762,595</u></u>	<u><u>\$2,451,103</u></u>

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 9 - Retirement Plan**

HLCS maintains a retirement plan for all eligible employees through a Professional Employer Organization. HLCS' contributions to the plan totaled \$193,890 and \$190,938 for the years ended June 30, 2023 and 2022, respectively.

Note 10 - Concentrations

- a - HLCS' cash is maintained in financial institutions in New York, which are insured by the Federal Deposit Insurance Corporation up to \$250,000.
- b - As of June 30, 2023 and 2022, approximately 80% and 79%, respectively, of HLCS's unconditional promises to give were due from one agency of the U.S. federal government. For both years ended June 30, 2023 and 2022, 80%, of HLCS's federal grant revenue was received from this same federal agency.

Note 11 - Commitments and Contingency

- a - As part of a building utilization plan with the New York City Department of Education, HLCS is permanently sited in PS 328. The Department provides utilities and other maintenance and security services for the building during regular school hours.
- b - HLCS has retained Hyde Foundation to provide educational materials and various consulting and management services including training and accreditation review. Total fees paid to Hyde Foundation amounted to approximately \$50,000 and \$100,000 during the years ended June 30, 2023 and 2022, respectively.
- c - Government supported projects are subject to audit by the applicable granting agency.

SUPPLEMENTARY INFORMATION



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

To the Board of Directors of
Hyde Leadership Charter School - Brooklyn

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 Hyde Leadership Charter School - Brooklyn (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 November 1, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hyde Leadership Charter School - Brooklyn'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 Hyde Leadership Charter School - Brooklyn's internal control. Accordingly, we do not express an opinion on the effectiveness of Hyde Leadership Charter School - Brooklyn'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 Hyde Leadership Charter School - Brooklyn'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 Hyde Leadership Charter School - Brooklyn's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hyde Leadership Charter School - Brooklyn's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lutz + Carr, LLP". The signature is cursive and fluid, with "Lutz" and "Carr" connected by a line, and "LLP" written in a smaller, separate area.

New York, New York
November 1, 2023