

Hyde Leadership Charter School – Brooklyn

Financial Statements

June 30, 2025 and 2024

Independent Auditors' Report

Board of Trustees
Hyde Leadership Charter School – Brooklyn

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hyde Leadership Charter School – Brooklyn (the “School”) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 the School as of June 30, 2025 and 2024, 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 the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

**Board of Trustees
Hyde Leadership Charter School – Brooklyn
Page 3**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2025, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2025

Hyde Leadership Charter School - Brooklyn

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,796,243	\$ 1,913,272
Grants and contracts receivable	75,953	903,158
Prepaid expenses and other current assets	<u>29,200</u>	<u>102,740</u>
Total Current Assets	1,901,396	2,919,170
Property and equipment, net	102,326	154,628
Right-of-use assets - operating leases, net	6,154	13,218
Right-of-use assets - finance leases, net	27,210,135	27,923,825
Restricted cash - escrow reserve	100,034	100,014
Restricted cash - capital building reserve	75,000	50,000
Security deposits	<u>240,870</u>	<u>240,870</u>
	<u><u>\$ 29,635,915</u></u>	<u><u>\$ 31,401,725</u></u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 198,497	\$ 184,934
Accrued payroll and payroll taxes	416,559	591,137
Operating lease liabilities	4,893	7,064
Finance lease liabilities	126,208	111,211
Refundable advances	<u>7,596</u>	<u>-</u>
Total Current Liabilities	753,753	894,346
Operating lease liabilities, less current portion	1,261	6,154
Finance lease liabilities, less current portion	<u>30,079,386</u>	<u>30,127,352</u>
Total Liabilities	<u>30,834,400</u>	<u>31,027,852</u>
Net Assets (Deficit), Without Donor Restrictions		
Board designated	115,034	115,014
Undesignated	<u>(1,313,519)</u>	<u>258,859</u>
Total Net Assets (Deficit), Without Donor Restrictions	<u>(1,198,485)</u>	<u>373,873</u>
	<u><u>\$ 29,635,915</u></u>	<u><u>\$ 31,401,725</u></u>

Hyde Leadership Charter School - Brooklyn

Statements of Activities

	Year Ended June 30,	
	<u>2025</u>	<u>2024</u>
OPERATING REVENUE		
State and Local Per Pupil Operating Revenue		
General education	\$ 7,393,122	\$ 8,035,683
Special education	787,144	806,952
Facilities	922,368	865,707
Federal grants	1,186,966	1,780,625
Federal E-Rate and IDEA	130,931	116,771
State grants	34,124	37,831
Total Operating Revenue	<u>10,454,655</u>	<u>11,643,569</u>
EXPENSES		
Program Services		
Regular education	7,097,450	7,686,747
Special education	3,283,679	3,444,216
Total Program Services	<u>10,381,129</u>	<u>11,130,963</u>
Supporting Services		
Management and general	1,798,963	1,660,509
Fundraising	109,389	82,110
Total Expenses	<u>12,289,481</u>	<u>12,873,582</u>
Deficit from Operations	<u>(1,834,826)</u>	<u>(1,230,013)</u>
SUPPORT AND OTHER REVENUE (EXPENSE)		
Contributions and private grants	182,160	195,018
Bad debt expense	(54,600)	(146,397)
Interest and other income	134,908	63,462
Total Support and Other Revenue (Expense)	<u>262,468</u>	<u>112,083</u>
Change in Net Assets (Deficit)	(1,572,358)	(1,117,930)
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS		
Beginning of year	<u>373,873</u>	<u>1,491,803</u>
End of year	<u>\$ (1,198,485)</u>	<u>\$ 373,873</u>

Hyde Leadership Charter School - Brooklyn

Statement of Functional Expenses

Year Ended June 30, 2025

	No. of Positions	Program Services			Management		
		Regular Education	Special Education	Total	and General	Fundraising	Total
Personnel Service Cost							
Administrative staff personnel	21	\$ 888,381	\$ 392,423	\$ 1,280,804	\$ 779,387	\$ 68,511	\$ 2,128,702
Instructional personnel	53	2,420,559	1,879,713	4,300,272	-	-	4,300,272
Non - instructional personnel	1	131,581	39,630	171,211	11,844	-	183,055
Total Personnel Service Cost	<u>75</u>	<u>3,440,521</u>	<u>2,311,766</u>	<u>5,752,287</u>	<u>791,231</u>	<u>68,511</u>	<u>6,612,029</u>
Fringe benefits and payroll taxes		1,001,927	269,174	1,271,101	209,358	14,954	1,495,413
Pension		83,693	22,485	106,178	17,488	1,249	124,915
Accounting and audit fees		-	-	-	240,793	-	240,793
Other purchased, professional and consulting services		337,996	82,180	420,176	72,683	1,248	494,107
Repairs and maintenance		95,611	25,687	121,298	19,978	1,427	142,703
Insurance		44,851	12,050	56,901	9,372	669	66,942
Utilities		44,654	11,997	56,651	9,331	666	66,648
Supplies		249,355	74,764	324,119	-	-	324,119
Equipment and furnishings		657.00	190.00	847.00	50.00	4.00	901
Staff development		122,882	24,247	147,129	51,444	1,341	199,914
Marketing and recruitment		10,565	3,044	13,609	830	59	14,498
Technology		23,937	-	23,937	23,938	-	47,875
Student services		263,143	78,898	342,041	-	-	342,041
Office expenses		158,888	39,767	198,655	97,799	1,070	297,524
Interest		632,809	170,008	802,817	132,229	9,445	944,491
Depreciation and amortization		<u>585,961</u>	<u>157,422</u>	<u>743,383</u>	<u>122,439</u>	<u>8,746</u>	<u>874,568</u>
Total Expenses		<u>\$ 7,097,450</u>	<u>\$ 3,283,679</u>	<u>\$ 10,381,129</u>	<u>\$ 1,798,963</u>	<u>\$ 109,389</u>	<u>\$ 12,289,481</u>

Hyde Leadership Charter School - Brooklyn

Statement of Functional Expenses

Year Ended June 30, 2024

	No. of Positions	Program Services			Management		
		Regular Education	Special Education	Total	and General	Fundraising	Total
Personnel Service Cost							
Administrative staff personnel	23	\$ 1,040,183	\$ 361,803	\$ 1,401,986	\$ 687,737	\$ 57,967	\$ 2,147,690
Instructional personnel	52	2,542,867	2,027,936	4,570,803	-	-	4,570,803
Non - instructional personnel	<u>2</u>	<u>183,541</u>	<u>48,548</u>	<u>232,089</u>	<u>20,759</u>	<u>-</u>	<u>252,848</u>
Total Personnel Service Cost	<u><u>77</u></u>	<u><u>3,766,591</u></u>	<u><u>2,438,287</u></u>	<u><u>6,204,878</u></u>	<u><u>708,496</u></u>	<u><u>57,967</u></u>	<u><u>6,971,341</u></u>
Fringe benefits and payroll taxes		1,123,410	301,812	1,425,222	234,742	16,767	1,676,731
Pension		94,912	25,499	120,411	19,832	1,417	141,660
Accounting and audit fees		-	-	-	185,968	-	185,968
Other purchased, professional and consulting services		497,965	98,815	596,780	86,394	1,277	684,451
Repairs and maintenance		25,034	6,726	31,760	5,231	374	37,365
Insurance		40,963	11,005	51,968	8,559	611	61,138
Utilities		40,533	10,890	51,423	8,470	605	60,498
Supplies		137,766	30,378	168,144	-	-	168,144
Equipment and furnishings		7,100	1,764	8,864	863	62	9,789
Staff development		134,498	28,472	162,970	50,664	1,582	215,216
Marketing and recruitment		26,683	6,289	32,972	1,758	126	34,856
Technology		10,049	-	10,049	10,049	-	20,098
Student services		239,602	52,832	292,434	-	-	292,434
Office expenses		274,277	58,781	333,058	66,153	1,271	400,482
Interest		629,109	184,944	814,053	135,667	51	949,771
Depreciation and amortization		638,255	187,722	825,977	137,663	-	963,640
Total Expenses		<u>\$ 7,686,747</u>	<u>\$ 3,444,216</u>	<u>\$ 11,130,963</u>	<u>\$ 1,660,509</u>	<u>\$ 82,110</u>	<u>\$ 12,873,582</u>

Hyde Leadership Charter School - Brooklyn

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ (1,572,358)	\$ (1,117,930)
Adjustments to reconcile change in net assets (deficit)		
to net cash from operating activities		
Depreciation	61,801	101,749
Amortization of right of use assets - operating leases	7,064	12,070
Amortization of right of use assets - finance leases	812,767	861,891
Bad debt expense	54,600	146,397
Changes in operating assets and liabilities		
Grants and contracts receivable	772,605	511,376
Prepaid expenses and other current assets	73,540	(64,697)
Accounts payable and accrued expenses	13,563	(101,096)
Accrued payroll and payroll taxes	(174,578)	151,023
Operating lease liabilities	(7,064)	(12,070)
Refundable advances	7,596	(31,974)
Net Cash from Operating Activities	<u>49,536</u>	<u>456,739</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(9,499)	(18,205)
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments on finance lease liabilities	<u>(132,046)</u>	<u>(162,843)</u>
Net Change in Cash and Cash Equivalents and Restricted Cash	(92,009)	275,691
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	<u>2,063,286</u>	<u>1,787,595</u>
End of year	<u>\$ 1,971,277</u>	<u>\$ 2,063,286</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 6,766	\$ 6,497

Hyde Leadership Charter School – Brooklyn

Notes to Financial Statements June 30, 2025 and 2024

1. Organization and Tax Status

Hyde Leadership Charter School – Brooklyn (the “School”) is a New York State, not-for-profit educational corporation that was incorporated 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 (the “Charter”) in 2010 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 School renewed its Charter for an additional five-year term, now expiring June 30, 2028. The School’s mission is to develop the deeper character and unique potential of each student. Using the Hyde Process for family-based character education, the School 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. Families, educators and community members join together to create a supportive and rigorous academic environment for all students. The School provided education to approximately 389 students in kindergarten through eighth grade during the 2024-2025 academic year.

For one of its facilities, the School utilizes space with a New York City public school. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School’s programs that take place outside the district’s school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of the donated facility or services.

The New York City Department of Education provides transportation directly to some of the School’s students. Such costs are not included in these financial statements. The School provides universal free lunch to all of the students.

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.

Hyde Leadership Charter School – Brooklyn

Notes to Financial Statements June 30, 2025 and 2024

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. The Board of Trustees has established a board designated fund to promote its long-term financial stability.

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 at June 30, 2025 and 2024.

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.

In accordance with the School's facility lease, the School is required to make annual contributions to a capital building reserve account (see note 9).

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

	2025	2024
Cash and cash equivalents	\$ 1,796,243	\$ 1,913,272
Restricted cash - escrow reserve	100,034	100,014
Restricted cash - capital building reserve	75,000	50,000
	<u>\$ 1,971,277</u>	<u>\$ 2,063,286</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. Repairs are expensed as incurred.

Hyde Leadership Charter School – Brooklyn

Notes to Financial Statements June 30, 2025 and 2024

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

Property and Equipment (continued)

Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

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

Building improvements	5 years
Equipment	2 - 7 years
Furniture and fixtures	5 - 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, 2025 or 2024.

Leases

The School accounts for leases under ASC Topic 842. The School determines if an arrangement is a lease at inception. Operating and finance leases are included in operating and finance right-of-use ("ROU") assets and lease liabilities in the statements of financial position. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the School made the short-term lease election.

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 and finance lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. When 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's lease agreements do not contain any variable lease components. 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.

Hyde Leadership Charter School – Brooklyn

Notes to Financial Statements June 30, 2025 and 2024

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. In-kind donations are recorded at the estimated fair value at the date the services and goods are received.

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, 2025 and 2024 was \$14,498 and \$34,856.

Measure of Operations

The statements of activities report 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 sources that include grants and contributions revenue, return on investments and other activities considered to be of a 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 service costs, fringe benefits and payroll taxes, other purchased professional and consulting services, and student services 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, 2022.

Hyde Leadership Charter School – Brooklyn

Notes to Financial Statements June 30, 2025 and 2024

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

Reclassifications

Certain amounts in the accompanying 2024 financial statements have been reclassified to conform to the 2025 presentation. These reclassifications had no effect on the previously reported financial statements.

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 issued, which date is October 29, 2025.

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 for doubtful accounts and has determined that such allowance is not necessary.

4. Property and Equipment

Property and equipment consists of the following at June 30:

	2025	2024
Building improvements	\$ 244,704	\$ 244,704
Equipment	839,820	830,321
Furniture and fixtures	147,187	147,187
	<u>1,231,711</u>	<u>1,222,212</u>
Accumulated depreciation and amortization	(1,129,385)	(1,067,584)
	<u>\$ 102,326</u>	<u>\$ 154,628</u>

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 statements of financial position dates, are comprised of the following at June 30:

	2025	2024
Cash and cash equivalents	\$ 1,796,243	\$ 1,913,272
Grants and contracts receivable	75,953	903,158
Total Financial Assets	<u>1,872,196</u>	<u>2,816,430</u>

Less amounts unavailable for general expenditure:

Board designated net assets	<u>115,034</u>	<u>115,014</u>
	<u>\$ 1,757,162</u>	<u>\$ 2,701,416</u>

Hyde Leadership Charter School – Brooklyn

Notes to Financial Statements June 30, 2025 and 2024

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 money market accounts and other liquid instruments until it is required for operational use. The Board of Trustees has designated net assets without donor restrictions that could be drawn upon through board resolution and can be made available for current operations, unbudgeted expenses, and unanticipated loss in funding. 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 retirement plan for all eligible employees through a Professional Employer Organization. The School's contributions to the plan totaled \$124,915 and \$141,660 for the years ended June 30, 2025 and 2024.

7. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents and restricted cash 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, 2025 and 2024 approximately, \$1,396,000 and \$1,513,000 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 years ended June 30, 2025 and 2024, the School received approximately 85% and 82% of 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. Commitment

Leases – Operating

The School utilizes equipment under an operating lease with a term expiring on September 30, 2026.

Hyde Leadership Charter School – Brooklyn

Notes to Financial Statements

9. Commitment (*continued*)

Leases – Operating (continued)

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

2026	\$ 5,064
2027	1,266
Total minimum lease payments	6,330
Present value discount	(176)
Present value of operating lease liability	6,154
Current portion	(4,893)
Operating lease liabilities, less current portion	\$ 1,261

ROU assets consist of the following at June 30:

	2025	2024
ROU assets	\$ 14,163	\$ 25,847
Accumulated amortization	(8,009)	(12,629)
	<u>\$ 6,154</u>	<u>\$ 13,218</u>
Weighted average remaining lease term	1.25 years	1.93 years
Weighted average discount rate	4.88%	4.52%

Operating lease expense for the years ended June 30, 2025 and 2024 amounted to \$7,482 and \$8,634.

For the year ended June 30, 2025, one operating lease expired and its \$11,684 ROU asset and respective lease liability were fully amortized. For the year ended June 30, 2024, one operating lease expired and its \$7,918 ROU asset and respective lease liability were fully amortized.

Supplemental cash flow disclosures are as follows at June 30:

	2025	2024
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 7,482	\$ 8,212
Operating lease right-of-use asset obtained in exchange for operating lease liabilities	-	14,163

Leases – Finance

In July 2021, the School entered into a non-cancelable finance lease for office and classroom space expiring on June 30, 2061. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes, and other operating expenses. In accordance with the lease, the School is required to make annual contributions to a capital building reserve account, which is controlled by the Landlord, each year until the expiration of the lease.

Hyde Leadership Charter School – Brooklyn

Notes to Financial Statements June 30, 2025 and 2024

9. Commitment (*continued*)

Leases – Finance (continued)

The annual contributions are equal to \$25,000 for the first ten years and will increase to \$50,000 until the expiration of the lease term. No annual contribution will be required if the capital reserve account is at the minimum balance of \$200,000.

At June 30, 2025 and 2024, the capital building reserve account totaled \$75,000 and \$50,000 and is included in prepaid expenses and other current assets in the accompanying statements of financial position.

The School also entered into four finance lease agreements for computer equipment with terms expiring through February 29, 2028.

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

2026	\$ 1,061,584
2027	1,082,116
2028	1,080,052
2029	1,089,468
2030	1,111,258
Thereafter	<u>48,036,368</u>
Total minimum lease payments	53,460,846
Present value discount	<u>(23,255,252)</u>
Present value of operating lease liability	30,205,594
Current portion	<u>(126,208)</u>
Operating lease liabilities, less current portion	<u>\$ 30,079,386</u>

ROU assets consist of the following at June 30:

	2025	2024
ROU assets	\$ 29,492,975	\$ 29,637,219
Accumulated amortization	(2,282,840)	(1,713,394)
	<u>\$ 27,210,135</u>	<u>\$ 27,923,825</u>
Weighted average remaining lease term	35.91 years	36.95 years
Weighted average discount rate	3.11%	3.11%

Finance lease expense for the years ended June 30, 2025 and 2024 amounted to \$1,750,492 and \$1,799,598.

Hyde Leadership Charter School – Brooklyn

Notes to Financial Statements June 30, 2025 and 2024

9. Commitment (*continued*)

Leases – Finance (continued)

For the year ended June 30, 2025, two finance leases expired and their aggregated \$243,322 ROU assets and respective lease liabilities were fully amortized. For the year ended June 30, 2024, one finance lease expired and its \$24,927 ROU asset and respective lease liability were fully amortized.

Supplemental cash flow disclosures are as follows at June 30:

	2025	2024
Interest paid	\$ 937,725	\$ 943,275
Cash paid for amounts included in the measurement of finance lease liabilities	1,066,859	1,099,537
Finance lease right-of-use asset obtained in exchange for finance lease liabilities	99,077	-

10. Contingency

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

**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
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 (the “School”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, 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 29, 2025.

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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2025