COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORTS, AND SINGLE AUDIT

JUNE 30, 2023 AND 2022

COMMUNITY EDUCATION BUILDING CORP.
AND SUBSIDIARIES
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Independent Auditors' Report

To the Board of Directors
Community Education Building Corp.

Opinion

We have audited the accompanying consolidated financial statements of Community Education Building Corp. (a nonprofit organization) and subsidiaries which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Community Education Building Corp. as of June 30, 2023 and 2022, and the changes in their net assets and their 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 Consolidated Financial Statements* section of our report. We are required to be independent of Community Education Building Corp. 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 opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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To the Board of Directors
Community Education Building Corp.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Education Building Corp.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated 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 consolidated 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 Community Education Building Corp.'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Education Building Corp.'s ability to continue as a going concern for a reasonable period of time.

To the Board of Directors
Community Education Building Corp.

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.

Supplementary Information - Management's Discussion and Analysis

Community Education Building Corp. has presented the management's discussion and analysis on pages 5 through 8 to supplement the basic consolidated financial statements. Such information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements, however, the Organization considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information - Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

To the Board of Directors
Community Education Building Corp.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of Community Education Building Corp.'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 Community Education Building Corp.'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 Community Education Building Corp.'s internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

October 16, 2023
Wilmington, Delaware

MANAGEMENT’S DISCUSSION AND ANALYSIS

COMMUNITY EDUCATION BUILDING CORP.
AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the Community Education Building Corp. (hereinafter "CEB"), we offer readers of CEB's consolidated financial statements this narrative overview of the financial activities of CEB for the fiscal years ended June 30, 2023 and 2022. Please read it in conjunction with CEB's audited consolidated financial statements, which begin on page 9.

The mission of the CEB is to build an educational support system that allows every student an equitable opportunity to succeed. CEB's innovative educational model creates educational equity for traditionally underserved students by removing barriers that cause inequitable access to learning, creating opportunities for students, investing in stable families, and enabling academic excellence by freeing schools to focus on teaching and learning. In doing so students will have the network, confidence, and skills necessary to succeed in school and be prepared for life beyond high school.

During this year, CEB continued to strengthen its long-term financial and operational sustainability. With the addition this year of two mission aligned tenants, Network Connect and Code Differently, CEB is over 93% occupied. Through several joint multi-year grants with tenant partners and significant expansion of the donor base we experienced moderate program growth which is reflected in the increase in salaries over FY22. With the expansion of student and family services, we have high quality data and are able to demonstrate the tremendous impact our innovative model is having on student success.

During the year ended June 30, 2023, CEB entered into a new financing agreement with the primary purposes of constructing a new 41,000 square foot youth development center and refinancing its existing long-term debt. In conjunction with this financing agreement, CEB entered into a new Continuing Support Agreement with Longwood Foundation[1] (hereinafter "CSA"), superseding its previous agreement from 2018. The new CSA had a significant impact on CEB's consolidated financial statements during the year ended June 30, 2023, due to an increase in pledged support to fund additional future debt service. As a result, CEB's net assets increased by $13,110,479 during the year ended June 30, 2023. The CSA and its ongoing impact to CEB's consolidated financial statements are detailed below. The chart below identifies the financial activities contributing to the overall change in net assets.

	2023	2022
CHANGE IN NET ASSETS FROM OPERATIONS		
Revenue and Support		
Contributions and Grants	$ 2,564,441	$ 432,512
Food Service Income	1,281,485	1,324,893
Rental Income	4,237,098	3,611,502
Program Service and Other Income	206,504	56,400
Total Revenue and Support	8,289,528	5,425,307

[1] The Longwood Foundation is a private, non-operating foundation formed in Delaware which is exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.

	2023	2022
Total Revenue and Support (From Previous Page)	$ 8,289,528	$ 5,425,307
Operating Expenses	(6,988,306)	(6,778,982)
	1,301,222	(1,353,675)
Depreciation of Property and Equipment	(1,136,081)	(1,121,857)
Change in Net Assets from Operations	165,141	(2,475,532)
CHANGE IN NET ASSETS FROM BOND DEBT SERVICE AND ASSOCIATED PLEDGE RECEIVABLE ACTIVITY		
Revenue from Contributions Received or Pledged for Debt Service	14,366,610	960,134
Decrease in Pledge from Interest Rate Swap Derivative	(218,382)	(3,400,861)
Interest Expense	(1,421,272)	(900,134)
Gain on Interest Rate Swap Derivative	218,382	3,400,861
Change in Net Assets from Bond Debt Service and Associated Pledge Receivable Activity	12,945,338	-
TOTAL CHANGE IN NET ASSETS	$ 13,110,479	$ (2,475,532)

Continuing Support Agreement

In December 2022, the CEB entered into a Continuing Support Agreement with the Longwood Foundation. The 2022 CSA superseded the 2018 CSA between CEB and the Longwood Foundation. The CSA addressed CEB's original debt obligations resulting from a debt refinancing of start-up and infrastructure improvement expenses incurred by CEB in transforming a commercial office building into an educational space for up to 1,800 students[2], all as more thoroughly described in Notes 1, 5, 6, 8 and 9 of the Consolidated Financial Statements. The 2022 CSA also provides additional financing needed to construct a new 41,000 square foot youth development center that will include gymnasium, auditorium, and youth development space. The CSA commits Longwood to making semi-annual grants to CEB in amounts equal to the debt service of the refinanced debt ($41,640,000 at the time of refinance) until such debt is fully satisfied.

[2] In February 2012, Bank of America donated this center city Wilmington office building to the CEB. The donated office building was repurposed and renovated into a facility offering turnkey, Class A space for several charter schools with capacity to serve 1,800 students. The renovations and anticipated operating revenue shortfall were financed with funds borrowed by CEB and guaranteed by Longwood.

Continuing Support Agreement - Continued

The CSA represents a unique collaborative initiative between Longwood and CEB. Through the CSA, Longwood continues its historical commitment of supporting organizations focused on improving public education and reaffirmed its support of, and long-term commitment to, CEB. The CSA functions to relieve CEB of its start-up and infrastructure improvement debt obligations. With no mortgage lien on its capital assets as a result of the refinancing and Longwood's guarantee of the refinanced obligations, CEB will utilize all future revenue and philanthropic contributions from other sources exclusively for operations, programming initiatives, and capital investments aimed at bringing enhanced educational opportunity and equity to underserved children. Management believes that by relieving CEB of its debt obligations, the CSA has placed CEB in a significantly enhanced position to serve CEB's schools, students, and families and ensured CEB's long-term financial sustainability. CEB is privileged to have Longwood's long-term commitment and its encouragement to use CEB's enhanced financial capacity to expand its base of philanthropic partners and to judiciously leverage additional borrowings in pursuit of its mission.

This financial report is designed to provide a general overview of CEB's finances to the users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to the Chief Finance and Administrative Officer, Community Education Building, 1200 North French Street, Wilmington, DE 19801.

CONSOLIDATED FINANCIAL STATEMENTS

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 1,930,291	$ 363,200
Cash - Restricted for Debt Service	-	1,915,152
Accounts and Grants Receivable	515,323	208,282
Contribution Receivable - Debt Service	2,637,840	241,305
Deposits and Prepaid Expenses	13,000	13,000
TOTAL CURRENT ASSETS	5,096,454	2,740,939
OTHER ASSETS		
Cash - Tenant Deposits	115,918	84,418
Cash - Donor Restricted and Board Designated for Capital Projects	11,623,569	-
Contribution Receivable - Debt Service (Net of Current Portion)	39,002,160	25,915,129
Property and Equipment (Net)	32,983,785	33,351,414
Right-of-Use-Asset- Operating Lease	134,086	-
TOTAL OTHER ASSETS	83,859,518	59,350,961
TOTAL ASSETS	$ 88,955,972	$ 62,091,900

The accompanying notes are an integral part of these consolidated financial statements.

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2023 AND 2022

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 678,872	$ 634,353
Line of Credit	500,000	500,000
Current Maturities of Long-Term Debt	646,370	1,286,660
Lease Liability - Operating Lease (Current Maturities)	29,000	-
Conditional Grants	9,068	28,977
TOTAL CURRENT LIABILITIES	1,863,310	2,449,990
OTHER LIABILITIES		
Deposits Payable	115,918	84,418
Long-Term Debt (Net of Current Maturities)	40,779,136	26,413,567
Derivative Contract - Interest Rate Swap	-	161,882
Lease Liability - Operating Lease (Net of Current Maturities)	105,086	-
TOTAL OTHER LIABILITIES	41,000,140	26,659,867
TOTAL LIABILITIES	42,863,450	29,109,857
NET ASSETS		
Without Donor Restrictions		
Net Asset Deficit from Interest Rate Swap Liability	-	(161,882)
Other Net Assets Without Donor Restrictions	4,112,451	5,005,999
Total Net Assets Without Donor Restrictions	4,112,451	4,844,117
With Donor Restrictions	41,980,071	28,137,926
TOTAL NET ASSETS	46,092,522	32,982,043
TOTAL LIABILITIES AND NET ASSETS	$ 88,955,972	$ 62,091,900

The accompanying notes are an integral part of these consolidated financial statements.

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT FROM OPERATIONS			
Contributions and Grants	$ 2,234,370	$ 330,071	$ 2,564,441
Food Service Income	1,281,485	-	1,281,485
Rental Income	4,237,098	-	4,237,098
Program Service and Other Income	206,504	-	206,504
	7,959,457	330,071	8,289,528
Net Assets Released from Restrictions	636,154	(636,154)	-
TOTAL REVENUE AND SUPPORT FROM OPERATIONS	8,595,611	(306,083)	8,289,528
EXPENSES			
Program Services	8,395,225	-	8,395,225
Supporting Services			
General and Administrative	1,024,984	-	1,024,984
Fundraising and Development	125,450	-	125,450
Total Supporting Services	1,150,434	-	1,150,434
TOTAL EXPENSES	9,545,659	-	9,545,659
CHANGE IN NET ASSETS FROM OPERATIONS	(950,048)	(306,083)	(1,256,131)
OTHER SUPPORT AND REVENUE			
Gain on Derivative Contract	218,382	-	218,382
Increase in Pledged Support From New Continuing Support Agreement	-	14,366,610	14,366,610
Decrease in Pledges Receivable from Gain on Derivative Contract	-	(218,382)	(218,382)
TOTAL OTHER SUPPORT AND REVENUE	218,382	14,148,228	14,366,610
CHANGE IN NET ASSETS	(731,666)	13,842,145	13,110,479
NET ASSETS - Beginning of Year	4,844,117	28,137,926	32,982,043
NET ASSETS - End of Year	$ 4,112,451	$ 41,980,071	$ 46,092,522

The accompanying notes are an integral part of these consolidated financial statements.

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT FROM OPERATIONS			
Contributions and Grants	$ 432,512	$ 960,134	$ 1,392,646
Food Service Income	1,324,893	-	1,324,893
Rental Income	3,611,502	-	3,611,502
Program Service and Other Income	56,400	-	56,400
	5,425,307	960,134	6,385,441
Net Assets Released from Restrictions	2,252,832	(2,252,832)	-
TOTAL REVENUE AND SUPPORT FROM OPERATIONS	7,678,139	(1,292,698)	6,385,441
EXPENSES			
Program Services	7,954,783	-	7,954,783
Supporting Services			
General and Administrative	833,518	-	833,518
Fundraising and Development	72,672	-	72,672
Total Supporting Services	906,190	-	906,190
TOTAL EXPENSES	8,860,973	-	8,860,973
CHANGE IN NET ASSETS FROM OPERATIONS	(1,182,834)	(1,292,698)	(2,475,532)
OTHER SUPPORT AND REVENUE			
Gain on Derivative Contract	3,400,861	-	3,400,861
Decrease in Pledges Receivable from Gain on Derivative Contract	-	(3,400,861)	(3,400,861)
TOTAL OTHER SUPPORT AND REVENUE	3,400,861	(3,400,861)	-
CHANGE IN NET ASSETS	2,218,027	(4,693,559)	(2,475,532)
NET ASSETS - Beginning of Year	2,626,090	32,831,485	35,457,575
NET ASSETS - End of Year	$ 4,844,117	$ 28,137,926	$ 32,982,043

The accompanying notes are an integral part of these consolidated financial statements.

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	2023			
	Program Services	General and Administrative	Fundraising and Development	Total
Salaries	$ 1,515,000	$ 746,255	$ 69,161	$ 2,330,416
Payroll Taxes	105,716	52,073	4,826	162,615
Employee Benefits	118,189	58,217	5,395	181,801
Total Salaries and Related Expenses	1,738,905	856,545	79,382	2,674,832
Depreciation	1,123,471	11,588	1,022	1,136,081
Library Subscriptions	-	30,157	-	30,157
Equipment	44,196	456	40	44,692
Facilities Rent	69,421	716	63	70,200
Food Services	975,867	-	-	975,867
Insurance	263,877	2,722	240	266,839
Interest	1,446,318	14,918	1,316	1,462,552
Janitorial	549,664	5,669	500	555,833
Legal and Accounting Fees	-	44,621	-	44,621
Occupancy	533,739	5,505	486	539,730
Office Expense	29,548	305	27	29,880
Professional Contract Services	521,106	16,096	41,375	578,577
Professional Development	-	24,349	-	24,349
Repairs and Maintenance	544,360	5,615	495	550,470
Security	358,674	3,700	326	362,700
Supplies	88,442	912	80	89,434
Systems - Technology	99,701	1,028	91	100,820
Travel	7,936	82	7	8,025
TOTAL EXPENSES	$ 8,395,225	$ 1,024,984	$ 125,450	$ 9,545,659

The accompanying notes are an integral part of these consolidated financial statements.

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	2022			
	Program Services	**General and Administrative**	**Fundraising and Development**	**Total**
Salaries	$ 1,451,335	$ 477,151	$ 59,644	$ 1,988,130
Payroll Taxes	107,030	35,188	4,399	146,617
Employee Benefits	100,659	33,094	4,137	137,890
Total Salaries and Related Expenses	1,659,024	545,433	68,180	2,272,637
Depreciation	1,109,404	11,443	1,010	1,121,857
Library Subscriptions	-	24,836	-	24,836
Equipment	37,748	389	34	38,171
Facilities Rent	68,028	702	62	68,792
Food Services	975,872	-	-	975,872
Insurance	307,705	3,174	280	311,159
Interest	952,516	9,825	867	963,208
Janitorial	649,029	6,694	591	656,314
Legal and Accounting Fees	-	38,319	-	38,319
Occupancy	453,448	4,677	413	458,538
Office Expense	85,576	883	78	86,537
Professional Contract Services	384,195	165,020	-	549,215
Professional Development	-	9,000	-	9,000
Repairs and Maintenance	784,527	8,092	714	793,333
Security	307,946	3,176	280	311,402
Supplies	60,178	621	55	60,854
Systems - Technology	98,186	1,013	89	99,288
Travel	21,401	221	19	21,641
TOTAL EXPENSES	$ 7,954,783	$ 833,518	$ 72,672	$ 8,860,973

The accompanying notes are an integral part of these consolidated financial statements.

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 13,110,479	$ (2,475,532)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	1,136,081	1,121,857
Gain on Derivative Contract	(218,382)	(3,400,861)
Amortization of Loan Origination Fees in Interest Expense	213,114	12,341
Changes in Assets and Liabilities		
Accounts and Grants Receivable	(307,041)	111,958
Contribution Receivable - Debt Service	(15,483,566)	4,774,932
Accounts Payable and Accrued Expenses	(63,145)	135,241
Conditional Grants	(19,909)	28,977
Deposits Payable	31,500	75,000
NET CASH FROM OPERATING ACTIVITIES	(1,600,869)	383,913
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(660,788)	(911,901)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(636,315)	(1,245,943)
Proceeds from Long-Term Debt	14,148,480	-
Payment Received from Termination of Derivative Contract	56,500	-
Proceeds from Line of Credit	-	500,000
NET CASH FROM FINANCING ACTIVITIES	13,568,665	(745,943)
NET CHANGE IN CASH AND RESTRICTED CASH	11,307,008	(1,273,931)
CASH AND RESTRICTED CASH - Beginning of Year	2,362,770	3,636,701
CASH AND RESTRICTED CASH - End of Year	$ 13,669,778	$ 2,362,770
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash Paid for Interest	$ 1,249,438	$ 933,977
Noncash Investing and Financing Activities		
Property and Equipment Acquisitions Included in Accounts Payable	$ 174,264	$ 66,600

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1: NATURE OF ACTIVITIES

The Community Education Building Corp. (CEB), a not-for-profit organization, was founded in 2012 and is located in Wilmington, Delaware. CEB's vision is to help all students attending its tenant schools to be fully prepared for educational advancement or career, and to become lifelong learners. Its mission is to transform urban K-12 public education through collaborative partnerships with its tenant schools and others, including funders like the Longwood Foundation.

CEB's innovative model seeks to use all of its resources to bring educational opportunity and equity to all children by: 1) providing schools with a safe and inviting place to learn and work; 2) offering co-location and shared services that save valuable financial and human capital resources; 3) integrating student and family supports to help students come to school ready to learn; 4) serving as a catalyst for collaboration and innovation for educational excellence among our partners; and 5) advocating for our schools, students, and families to promote equitable educational opportunity.

PS#5, LLC is a wholly owned subsidiary formed exclusively to further the purposes of CEB. Community Education Building Realty Corp. is a Delaware corporation formed exclusively to further the purposes of CEB. The above entities are collectively referred to as the Organization.

The vision of the Organization was made possible by the generosity of Bank of America and the Longwood Foundation. In 2012, Bank of America donated its center city Wilmington, Delaware office building to the Organization for the purpose of transforming it into a home for high-performing charter schools with an emphasis on providing world class K-12 public education for Wilmington's children. With financing obtained by the Organization, including proceeds from a tax-exempt conduit financing issued by the City of Wilmington, the building was repurposed into a facility offering turn-key space to a number of charter schools serving up to 1,800 students.

In December 2018, the Organization refinanced its original debt obligations associated with its infrastructure transformation (Note 8). Building on its commitment to public education and the nonprofit community, the Longwood Foundation believed the Organization's impact would be enhanced if the Organization was relieved of its debt service obligations required under the refinance, so that those funds could be redirected to a host of additional supports, both capital and programmatic, serving the Organization's tenant schools and their students. As such, the Longwood Foundation entered into a Continuing Support Agreement with the Organization. In accordance with that agreement, the Longwood Foundation guaranteed the Organization's refinanced bond debt and pledged to meet all debt service obligations over the life of the refinanced debt (Note 6). The Longwood Foundation provided grant proceeds to the Organization annually to support the payment of interest and principal required by the Organization's bond payable debt obligations.

NOTE 1: NATURE OF ACTIVITIES - CONTINUED

During the year ended June 30, 2023, the CEB's board approved a plan for a capital project to construct a new 41,000 square foot youth development facility in Wilmington, Delaware. The youth development facility will include a gymnasium, auditorium, youth development space and/or early learning center.

The youth development facility capital project was financed through the issuance by CEB of a taxable revenue note. In addition to financing costs for the youth development facility, proceeds from the taxable revenue note will finance improvements and repairs to CEB's existing facility, and refinancing its existing debt (Series 2018 City of Wilmington, Delaware Revenue Bond/Note 8). Closing for a new financing agreement occurred in December 2022 (Note 8).

The Longwood Foundation has agreed to continue to secure CEB's performance in the debt obligations that will result from this refinance and has executed a revised Continuing Support Agreement (Note 6).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader. The consolidated financial statements and notes are representations of management, who is responsible for their integrity and objectivity.

Principles of Consolidation - The consolidated financial statements include the accounts of Community Education Building Corp., PS#5, LLC, and Community Education Building Realty Corp. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are referred to as the Organization.

Change in Accounting Principle - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842*)*. Topic 842 increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statements of financial position and provides additional key disclosures about leasing agreements. During the year ended June 30, 2023, the Organization classified its leasing arrangements as operating leases or finance leases in accordance with Topic 842**.**

> Operating Leases - For operating leases, the Organization is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the consolidated statements of financial position. The Organization recognizes a single lease cost, allocated over the lease term on a straight-line basis in the consolidated statements of activities. The Organization classifies all cash payments within operating activities in the consolidated statements of cash flows.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Change in Accounting Principle - Continued

Finance Leases - For finance leases, the Organization is required to recognize a right of use asset and lease liability, initially measured at the present value of the lease payments in the consolidated statements of financial position. The Organization recognizes interest on the lease liability separately from the amortization of the right of use asset in the consolidated statements of activities. The Organization classifies repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the consolidated statements of cash flows.

The Organization adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the reporting period of adoption). A right of use operating lease asset and a lease liability were recognized in the amount of $187,314 on July 1, 2022.

The Organization has elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) 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.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Organization elected the practical expedient to not separate lease and non-lease components.

Basis of Accounting - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP).

Cash and Cash Equivalents - For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments, available for current use, with an initial maturity of three months or less to be cash equivalents.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents - Continued

Restricted or designated cash held for long-term purposes is presented separately in the consolidated statements of financial position. As a condition of its financing agreements, the Organization is required to maintain a separate account to receive support that is donor-restricted for debt service (Note 6). Use of funds from this account is limited to debt service. This account is presented as restricted cash - debt service in the consolidated statements of financial position.

***Receivables and Credit Policies* -** Accounts receivable are stated at net realizable value. Accounts receivable consist primarily of noninterest-bearing amounts due for tenant rents and food service income. The Organization determines an allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As of June 30, 2023 and 2022, there was no allowance.

Operating and Non-Operating Classification - Support, revenue, and expenses are classified in the consolidated statements of activities as operating and non-operating. The operating classification includes contribution revenue, rental income, food service fee income, program service income, and other income and expenses of operating the Organization. The non-operating classification includes revenue resulting from execution of a new Continuing Support Agreement, the change in value of the interest rate swap agreement, and corresponding impacts to the pledge receivable balance from that change in value.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

***Contributions Receivable* -** The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions revenue in the consolidated statements of activities. The Organization evaluates the need for an allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment - Property and equipment with an estimated useful life in excess of one year are capitalized at cost if purchased and at fair market value if donated. The Organization capitalizes all expenditures for property and equipment in excess of $5,000. Depreciation expense is provided using the straight-line method over the estimated useful lives of the respective assets (generally five to seven years for equipment and furniture and thirty-nine years for buildings). Upon retirement or disposition of property and equipment, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 and 2022.

Derivative Financial Instruments **-** During the years ended June 30, 2023 and 2022, the Organization held derivative financial instruments for the purpose of hedging the risks of certain identifiable transactions. The Organization used an interest-rate swap to mitigate interest-rate risk on its long-term debt (Note 8). The related liability or asset is reported at fair value in the consolidated statements of financial position, and unrealized gains or losses are included in the consolidated statements of activities as other support and revenue.

Net Assets **-** Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
>
> Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue and Revenue Recognition **-** Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises, that is, those with a measurable performance barrier and a right to return, are not recognized until the conditions on which they depend have been substantially met. Contributions subject to donor- or grantor-imposed restrictions are recorded as net assets with donor restrictions and are reclassified as net assets without donor restrictions when the donor- or grantor-imposed restriction has been fulfilled or the stipulated time period has elapsed.

A portion of revenue, including food service income, is derived from cost-reimbursable or performance-based government contracts and grants, which are conditioned upon certain performance requirements, including the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as conditional grants in the consolidated statements of financial position.

As of June 30, 2023 and 2022, the Organization had remaining award balances on cost reimbursable contracts of $727,776 and $957,685, respectively, that have not been recognized in the consolidated financial statements. The Organization received advance payments of $9,068, and $28,977, during the year ended June 30, 2023 and 2022, respectively, that are recognized in the consolidated statements of financial position as conditional grants liabilities.

Rental income is earned ratably over the life of the agreement.

In accordance with FASB ASC 606, the Organization recognizes revenue resulting from exchange transactions when it satisfies its performance obligations by transferring control over a product or service to a customer. Principal exchange transactions from which the Organization generates revenue consist of program service fees.

The Organization provides programs to schools. The performance obligation consists of providing schools group learning and engagement opportunities to youth through the Wave Learning System program. School students are provided in-person day camp, learning support, arts and crafts, and other activities. These services are provided over the term of the program, which is typically six weeks. Fees for programs are recognized as revenue over time as performance obligations are satisfied. Amounts received in advance of a given program term are recorded as deferred revenue when received and recognized as revenue ratably as services are provided by the Organization. Revenue from contracts with customers recognized over time totaled $22,385 and $42,000 for the years ended June 30, 2023 and 2022, respectively. Contract liabilities represent amounts received in which the Organization has not yet satisfied their performance obligations. There were no contract assets, accounts receivable, or contract liabilities resulting from contracts with customers as of the beginning or end of the years ended June 30, 2023 and 2022.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

***In-kind Contributions* -** Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute time to program services and administrative activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended June 30, 2023 and 2022, respectively.

Income Taxes - Community Education Building Corp. is a not-for-profit entity that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal, state or local income tax in the accompanying consolidated financial statements. In addition, Community Education Building Corp. has been determined by the Internal Revenue Service (IRS) to be a "private operating foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

PS#5, LLC is a limited liability company which is wholly owned and operated by Community Education Building Corp. and, therefore, has made no provision for federal, state, or local income tax in the accompanying consolidated financial statements.

Community Education Building Realty Corp. is a corporation which is wholly owned and operated by Community Education Building Corp. Community Education Building Realty Corp. had no financial activity during the years ended June 30, 2023 and 2022, and, therefore, has made no provision for federal, state, or local income tax in the accompanying consolidated financial statements.

The Organization adheres to ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions. Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the 2020, 2021 and 2022 tax years are open and subject to examination by the IRS. However, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction. Interest and penalties related to income taxes are included in income tax expense when incurred.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses **-** The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs **-** The costs of advertising are expensed as incurred. There were no advertising expenses during the years ended June 30, 2023 and 2022.

Loan Origination Fees - Loan origination fees represent costs incurred in connection with obtaining long-term financing. In accordance with FASB ASC 835-50, *Imputation of Interest*, the Organization presents debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of loan origination fees is calculated using the straight-line method over the term of the related financing agreement and is included in interest expense on the consolidated statements of functional expenses.

Subsequent Events - The Organization's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the consolidated financial statements were available to be issued.

Financial Instruments and Credit Risk **-** The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured amounts. To date, the Organization has not experienced losses in any of these accounts.

Credit risk associated with accounts receivable and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from organizations supportive of the Organization’s mission.

NOTE 3: AVAILABILITY AND LIQUIDITY

The Organization’s short-term liquidity plan is to maintain readily available resources, including operating cash, to cover expenses as they come due. The Organization’s goal is to maintain 90 days of working capital.

As described in Note 10, the Organization had an available line of credit balance that could be used by the Organization in the event of a liquidity need.

NOTE 3: AVAILABILITY AND LIQUIDITY - CONTINUED

The following reflects the Organization's financial assets as of the date of the consolidated statements of financial position, reduced by amounts not available for general use because of contractual, board designation, or donor-imposed restrictions within one year of the consolidated statements of financial position date.

	2023	2022
Financial Assets as of June 30		
Cash	$ 1,930,291	$ 363,200
Cash - Restricted for Debt Service	-	1,915,152
Cash - Donor Restricted and Board Designated for Capital	11,623,569	-
Cash - Tenant Deposits	115,918	84,418
Accounts and Grants Receivable	515,323	208,282
Contribution Receivable Within One-Year - Debt Service	2,637,840	241,305
Total Financial Assets as of June 30	16,822,941	2,812,357
Less: Amounts Not Available for General Expenditures Within a Year		
Donor Restricted - Purpose Restricted for Debt Service	(2,637,840)	(2,156,457)
Donor Restricted and Board Designated for Capital	(11,623,569)	-
Deposits Payable Held in Cash	(115,918)	(84,418)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 2,445,614	$ 571,482

NOTE 4: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following is a summary of cash and restricted cash as reported on the consolidated statements of cash flows:

	2023	2022
Cash	$ 1,930,291	$ 363,200
Cash - Restricted for Debt Service	-	1,915,152
Cash - Donor Restricted and Board Designated for Capital Projects	11,623,569	-
Cash - Tenant Deposits	115,918	84,418
	$ 13,669,778	$ 2,362,770

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of June 30:

	2023	2022
Subject to Expenditure for Specified Purpose		
Purpose Restricted for Debt Service		
Longwood Foundation Support for		
Obligations of Long-Term Debt	$ 41,640,000	$ 28,071,586
Purpose Restricted for Program Initiatives		
Behavioral Health Initiatives	-	340
Youth Development Center Capital Campaign	330,071	-
WAVE Program	10,000	66,000
Total Purpose Restricted for Program Initiatives	340,071	66,340
Total Net Assets with Donor Restrictions	$ 41,980,071	$ 28,137,926

NOTE 6: CONTRIBUTIONS RECEIVABLE

Contribution Receivable - Debt Service - As of June 30, 2023 and 2022, contributions receivable by the Organization for debt service were the result of a commitment from the Longwood Foundation to provide the support needed to service its long-term debt (Note 8). On December 1, 2022, the Organization and the Longwood Foundation entered into a new Continuing Support Agreement and a new Guaranty Agreement, replacing the previous agreements entered into during 2018.

The new Continuing Support Agreement was executed in conjunction with the Organization's long-term debt refinance (Note 8). In accordance with the new Continuing Support Agreement, the Longwood Foundation has agreed to meet the Organization's 2022 4.82% Guaranteed Senior Notes Payable (Guaranteed Senior Notes) debt service obligations. The Longwood Foundation will make payments to the Organization on a semi-annual basis in amounts that are consistent with the Organization's required debt service under the Guaranteed Senior Notes.

The Organization shall only use payments received from the Longwood Foundation under the Continuing Support Agreement exclusively to make semi-annual payments of principal and interest under the Guaranteed Senior Notes, and not for any other purpose. Covenants associated with the agreements restrict the Organization's ability to incur additional long-term debt without the approval of the Longwood Foundation.

Under the terms of the agreements, the Longwood Foundation unconditionally guarantees, as a primary obligor, the prompt payment and performance of the Organization's Guaranteed Senior Notes Payable long-term debt.

NOTE 6: CONTRIBUTIONS RECEIVABLE - CONTINUED

Contribution Receivable - Debt Service - Continued

Prior to execution of the new Continuing Support Agreement in December 2022, the Organization and the Longwood Foundation operated under the terms of a previous agreement entered into during 2018 in which the Longwood Foundation unconditionally guaranteed, the prompt payment and performance of the Organization's bonds payable long-term debt and any obligations of the Organization under an interest rate swap agreement.

As a result of the terms of both Continuing Support Agreements, the carrying amount of contributions receivable reflect the present value of the Organization's obligations from its guaranteed long-term debt. The Organization uses as a discount rate, the effective interest rate on the guaranteed long-term debt. As a result, the carrying amount of the contributions receivable will at all times equal the outstanding principal balance of its long-term debt increased by the fair value of an interest rate swap liability, if applicable, and reduced for any cash deposits on hand received from the Longwood Foundation under the terms of this funding commitment.

Contributions receivable appear as follows in the consolidated statements of financial position:

	2023	2022
Contributions Receivable - Debt Service	$ 2,637,840	$ 241,305
Contributions Receivable - Debt Service (Net of Current Portion)	39,002,160	25,915,129
Total Contributions Receivable	$ 41,640,000	$ 26,156,434

With respect to the contribution receivable from the Longwood Foundation, the timing of expected current and future payments is based on the future maturities of the bond payable debt. Therefore, the amounts in the chart represent cash flows discounted at rates consistent with the bonds payable.

NOTE 6: CONTRIBUTIONS RECEIVABLE - CONTINUED

Contribution Receivable - Debt Service - Continued

Contributions receivable are expected to be collected as follows:

	2023	2022
Contributions Receivable		
Within One Year	$ 2,637,840	$ 241,305
In One to Five Years	10,543,481	8,629,261
After Five Years	65,417,684	25,368,207
	78,599,005	34,238,773
Present Value Discount	(36,959,005)	(8,082,339)
Allowance for Uncollectable Accounts	-	-
Total Contributions Receivable	$ 41,640,000	$ 26,156,434

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2023	2022
Land and Land Improvements	$ 2,665,252	$ 2,665,252
Building	37,426,271	37,395,845
Construction in Progress	715,540	-
Office Furniture, Vehicles and Equipment	1,841,895	1,819,409
	42,648,958	41,880,506
Less: Accumulated Depreciation	9,665,173	8,529,092
Property and Equipment - Net	$ 32,983,785	$ 33,351,414

NOTE 8: LONG-TERM DEBT

2022 Guaranteed Senior Notes - Under a financing agreement dated December 1, 2022, the Organization issued and sold 4.82% Guaranteed Senior Notes (Notes Payable) in the amount of $41,640,000. The notes require payment of principal and interest based on a 30-year amortization. The Notes Payable bear interest at a fixed rate of 4.82% and mature in December 2052. The purchasers of the notes are New York Life Insurance Company, New York Life Insurance and Annuity Corporation, and New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account. The Notes Payable require semi-annual payments of interest each June and December and annual payments of principal each December. The outstanding balance of the 2022 Guaranteed Senior Notes as of June 30, 2023 was $41,640,000. The 2022 Guaranteed Senior Notes are guaranteed by the Longwood Foundation and are included in the terms of the Guaranty Agreement (Note 6).

Proceeds from the financing agreement will be used for the construction of a new 41,000 square foot youth development center, the funding of costs associated with their existing education center, refinancing of the Series 2018 City of Wilmington, Delaware Revenue Bond including termination of its interest rate swap agreement, and funding certain programmatic initiatives.

Series 2018 City of Wilmington, Delaware Revenue Bond - Under a Bond Purchase and Loan Agreement among the Organization, the City of Wilmington, Delaware (City/Issuer), and Capital One (Bondholder), dated December 2018, the City issued its Revenue Bond (Community Education Building Corp. Project) Series 2018, in the principal amount of $30,760,000 (Series 2018 Bond) which was purchased by Capital One. The Organization entered into a promissory note payable to the City in the aggregate amount of the Series 2018 Bond. The City transferred and assigned to Capital One its rights under the promissory note.

The proceeds of the Series 2018 Bond issuance were used by the Organization to refinance its existing debt.

Obligations under the Series 2018 Bond were satisfied when refinanced with the 2022 Guaranteed Senior Notes. Prior to the refinance, the unpaid principal balance of the Series 2018 Bond bore interest calculated at 79% of 30-day LIBOR (adjusted monthly) plus 0.82%. The Series 2018 Bond required payment of interest only through February 2020. Commencing on March 2, 2020, monthly principal plus interest payments were due with a final payment of all unpaid principal plus accrued interest payable on December 27, 2038, the maturity date of the Series 2018 Bond. The initial monthly principal payment of $99,459 increased annually per the terms of the agreement. The effective interest rate of the Series 2018 Bond as of June 30, 2022 was 2.18%. The outstanding balance of the Series 2018 Bond as June 30, 2023 was $27,909,705. The Series 2018 Bond was guaranteed by the Longwood Foundation and is included in the terms of the Guaranty Agreement (Note 6).

NOTE 8: LONG-TERM DEBT - CONTINUED

Long-term debt consisted of the following as of June 30:

	2023	2022
Series 2018 Bond	$ -	$ 27,909,705
Guaranteed Senior Notes	41,640,000	-
Unamortized Loan Origination Fees	(214,494)	(209,478)
Total Long-Term Debt	$ 41,425,506	$ 27,700,227

As of June 30, 2023, future maturities of long-term debt consisted of the following:

	Guaranteed Senior Notes
2024	$ 646,370
2025	677,525
2026	710,181
2027	744,412
2028	780,293
Thereafter	38,081,219
	$ 41,640,000

NOTE 9: DERIVATIVE CONTRACTS - INTEREST RATE SWAP

In the normal course of business, the Organization is subject to risk from adverse fluctuations in interest rates. The Organization manages this risk through the use of interest rate swap derivative instruments. The Organization does not use derivative instruments for trading or speculative purposes. The Organization's interest rate swap derivative contracts are recognized in the consolidated financial statements at fair value.

As of June 30, 2022, the Organization was party to an interest rate swap agreement with Capital One. The outstanding notional amount and maturity of the agreement correlate to the outstanding principal balance and maturity date of the Series 2018 Bond (Note 8). The interest rate swap agreement was a pay fixed/receive variable that required the Organization to pay the difference between the fixed rate and variable rate identified in the agreement if the fixed rate exceeds the variable rate. The Organization was entitled to receive the difference between the fixed rate and variable rate stated in the agreement if the variable rate exceeded the fixed rate. The fixed rate per the agreement was 2.37%. The variable rate per the agreement was 79% of the 30-day LIBOR. The fair value of the interest rate swap derivative contract presented as a liability in the consolidated statements of financial position as of June 30, 2022 was a liability of $161,882.

NOTE 9: DERIVATIVE CONTRACTS - INTEREST RATE SWAP - CONTINUED

For the years ended June 30, 2023 and 2022, gains on derivative contracts were $218,382 and $3,400,861, respectively.

The interest rate swap agreement was terminated in December 2022 with the refinance of the Series 2018 Bond debt.

NOTE 10: LINE OF CREDIT

In July 2019, the Organization entered into a revolving demand note credit agreement with a financial institution to borrow up to $1,000,000. Interest is calculated using the one-month LIBOR plus 1.90%. The effective interest rate as of June 30, 2023 and 2022, was 7.15% and 3.71% respectively. As of June 30, 2023 and 2022, the outstanding balance on the line of credit was $500,000.

NOTE 11: FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements Disclosures*, establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

> ***Level 1*** - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
>
> ***Level 2*** - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
>
> ***Level 3*** - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 11: FAIR VALUE MEASUREMENTS - CONTINUED

As of June 30, 2022, the derivative contract - interest rate swap of the Organization, with a liability balance of $161,882, was categorized in Level 2, as the fair value is calculated as the difference between the fixed rate according to the interest rate swap agreement and the variable rate the debt carries.

NOTE 12: FUNCTIONALIZED EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 13: LEASES

Lessee Leasing Arrangements - The Organization leases athletic and gymnasium space. Leases in effect as of June 30, 2023, expire at times through June 2028. The Organization leased parking lot space on a year-to-year basis. The lease terminated during the year ended June 30, 2023.

Future minimum lease payments required under lease arrangements as the lessee are as follows for the years ending June 30:

	Operating Leases
2024	$ 29,000
2025	29,000
2026	29,000
2027	29,000
2028	29,000
Total Future Minimum Lease Payments	145,000
Less: Amount Representing Imputed Interest	10,914
Present Value of Future Minimum Lease Payments	134,086
Less: Current Maturities	29,000
Lease Obligations - Net of Current Maturities	$ 105,086

NOTE 13: LEASES - CONTINUED

The following represents lease cost for the year ended June 30:

Operating Lease Cost	$ 58,167

The following are required lease disclosures as of and for the year ended June 30:

Cash Paid for Amounts in the Measurement of Lease Liabilities	
Operating Cash Flows for Operating Leases	$ 58,167
Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	$ 187,314
Weighted-Average Remaining Lease Term - Operating Leases	5 Years
Weighted-Average Discount Rate - Operating Leases	2.88%

Rental expense under operating leases for the year ended June 30 2022, totaled $68,792.

Lessor Leasing Arrangements - The Organization has lease agreements with charter schools, education based nonprofit organizations, a health and welfare nonprofit organization, and a university to occupy portions of the Organization's building. The leases contain options to renew for periods that are aligned with the tenant's charter renewals by the Delaware Department of Education. Leases in effect as of June 30, 2023, expire at times through June 2032.

Future minimum lease payments to be received as of June 30, are as follows:

2024	$ 3,752,825
2025	2,161,952
2026	2,202,389
2027	1,157,941
2028	1,000,211
Thereafter	4,215,659
Total	$ 14,490,977

NOTE 14: PENSION PLAN

The Organization has a 403(b) plan covering all eligible employees. The Organization makes a dollar-for-dollar matching contribution of 3%. The employee can voluntarily contribute a percentage of their annual compensation with contributions limited as defined by the IRS. Total pension expense amounted to $27,520 and $18,456 for the years ended June 30, 2023 and 2022, respectively.

NOTE 15: RELATED-PARTY TRANSACTIONS

Members of the Organization's board of directors are the president and a member of the board of directors of the Longwood Foundation. The Longwood Foundation's representation on the Organization's board of directors does not constitute a majority of the Organization's governing board. As disclosed in these notes to the consolidated financial statements, the Longwood Foundation has committed to providing continued support to the Organization.

During the year ended June 30, 2023, the Organization was in the preliminary phases of its Youth Development Center capital project. The Organization entered into a revolving credit agreement with the Longwood Foundation during July 2022 to provide temporary access to financing for project costs prior to entering into its financing agreement (Note 8). Interest is incurred on borrowings under the agreement at a rate of 3.51%. The Organization borrowed $750,000 from the Longwood Foundation under the agreement. The loan was repaid in December 2022. The agreement expired in January 2023.

NOTE 16: COMMITTMENTS

As of June 30, 2023, the Organization had remaining commitments in the amount of $288,000 on a construction contract for renovations to their existing education building. These costs are expected to be incurred during the year ended June 30, 2024.

SINGLE AUDIT

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
Community Education Building Corp.

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 consolidated financial statements of Community Education Building Corp. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Community Education Building Corp.'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Education Building Corp.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Education Building Corp.'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 consolidated 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.

To the Board of Directors
Community Education Building Corp.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Community Education Building Corp.'s consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

October 16, 2023
Wilmington, Delaware

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

To the Board of Directors
Community Education Building Corp.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Education Building Corp.'s 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 Community Education Building Corp.'s major federal programs for the year ended June 30, 2023. Community Education Building Corp.'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, Community Education Building Corp. 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 Community Education Building Corp. 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

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To the Board of Directors
Community Education Building Corp.

major federal program. Our audit does not provide a legal determination of Community Education Building Corp.'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 Community Education Building Corp.'s federal programs.

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 Community Education Building Corp.'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 Community Education Building Corp.'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 Community Education Building Corp.'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 Community Education Building Corp.'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 Community Education Building Corp.'s internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
Community Education Building Corp.

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.

Belfint, Lyons & Shuman, P.A.

October 16, 2023
Wilmington, Delaware

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Pass-Through Programs			
U.S. Department of Agriculture			
Delaware State Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	$ 772,459	$ -
Summer Food Service Program	10.559	53,483	-
Fresh Fruit and Vegetable Program	10.582	39,750	-
Total - Child Nutrition Cluster		865,692	-
U.S. Department of Agriculture			
Delaware State Department of Education			
Child and Adult Care Food Program	10.558	63,089	-
U.S. Department of Justice			
STOP School Violence	16.839	229,909	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 1,158,690	$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Education Building Corp. and is presented on the accrual basis of accounting. 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.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material Weaknesses Identified? ___ Yes _x_ No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? ___ Yes _x_ None Reported

Noncompliance Material to Financial Statements Noted? ___ Yes _x_ No

Federal Awards

Internal Control Over Major Programs:

- Material Weaknesses Identified? ___ Yes _x_ No
- Significant Deficiencies Identified that are not Considered to be Material Weaknesses? ___ Yes _x_ None Reported

Type of Auditors' Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a)? ___ Yes _x_ No

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.559, 10.582	Child Nutrition Cluster

Dollar Threshold Used to Distinguish between Type A and Type B Programs: $ 750,000

Auditee Qualified as Low-Risk Auditee? _x_ Yes ___ No

II. FINANCIAL STATEMENT FINDINGS

No Current Year Findings

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Current Year Findings

COMMUNITY EDUCATION BUILDING CORP. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Reference Number: 2022-001
Type of Finding: Significant Deficiency
Material Audit Adjustments

Condition: A material audit adjustment was required to correct the balances for two revenue line items on the consolidated statement of activities: gain from interest rate swap derivative and contribution income. The misstatements for these two revenue line items offset. Cumulative audit adjustments did not have a material impact on reported assets, liabilities, revenues, or expenses.

Current Year Status: Material audit adjustments were not required during the current audit.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Prior Year Finding