

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

FINANCIAL STATEMENTS

JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2015)

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Visions Charter High School for Advanced Math and Science

Report on the Financial Statements

We have audited the accompanying financial statements of New Visions Charter High School for Advanced Math and Science (the "School"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Visions Charter High School for Advanced Math and Science as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New Visions Charter High School for Advanced Math and Science's 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
October 25, 2016

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2015)

ASSETS	2016	2015
Cash	\$ 2,057,775	\$ 1,279,987
Cash - restricted	75,267	75,158
Grants receivable	499,767	388,467
Prepaid expenses and other assets	5,814	3,056
Due from related entities	4,200	-
Property and equipment, net	<u>50,008</u>	<u>40,779</u>
	<u>\$ 2,692,831</u>	<u>\$ 1,787,447</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 146,904	\$ 188,210
Accrued salaries and other payroll related expenses	103,506	110,857
Due to NYC Department of Education	4,510	1,378
Due to related entities	<u>138,130</u>	<u>128,838</u>
	393,050	429,283
NET ASSETS		
Unrestricted	<u>2,299,781</u>	<u>1,358,164</u>
	<u>\$ 2,692,831</u>	<u>\$ 1,787,447</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
OPERATING REVENUE		
State and local per pupil operating revenue	\$ 6,992,455	\$ 6,814,247
Government grants and contracts	<u>585,813</u>	<u>530,910</u>
	<u>7,578,268</u>	<u>7,345,157</u>
EXPENSES		
Program	6,035,546	5,921,572
Management and general	636,957	531,169
Fundraising	<u>60,626</u>	<u>58,761</u>
	<u>6,733,129</u>	<u>6,511,502</u>
SUPPORT AND OTHER INCOME		
Miscellaneous income	96,263	79,928
Interest income	<u>215</u>	<u>139</u>
	<u>96,478</u>	<u>80,067</u>
CHANGE IN NET ASSETS	941,617	913,722
NET ASSETS – BEGINNING OF YEAR	<u>1,358,164</u>	<u>444,442</u>
NET ASSETS – END OF YEAR	<u>\$ 2,299,781</u>	<u>\$ 1,358,164</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	No. of Positions	Program Services			Supporting Services		2016	2015
		Regular Education	Special Education	Total	Management and General	Fundraising		
Personnel service costs								
Administrative staff personnel	20	\$ 577,795	\$ 88,313	\$ 666,108	\$ 452,046	\$ -	\$ 1,118,154	\$ 1,187,273
Instructional personnel	43	2,070,751	751,855	2,822,606	-	-	2,822,606	2,733,755
Total salaries and staff	63	2,648,546	840,168	3,488,714	452,046	-	3,940,760	3,921,028
Fringe benefits and payroll taxes		495,189	157,229	652,418	84,352	-	736,770	843,100
Retirement		147,111	46,666	193,777	25,108	-	218,885	128,335
Management company fee		454,155	74,097	528,252	17,383	60,626	606,261	587,612
Legal services		11,971	1,945	13,916	448	-	14,364	21,168
Accounting and audit services		-	-	-	19,501	-	19,501	25,846
Other purchases of professional and consulting services		211,812	47,604	259,416	11,218	-	270,634	237,093
Repairs and maintenance		113,883	18,577	132,460	4,355	-	136,815	54,244
Insurance		36,278	5,649	41,927	1,081	-	43,008	43,515
Utilities		35,193	6,089	41,282	3,931	-	45,213	47,075
Instructional supplies and materials		98,939	13,371	112,310	-	-	112,310	126,980
Equipment and furnishings		24,959	3,611	28,570	969	-	29,539	26,769
Staff development		5,875	935	6,810	433	-	7,243	20,853
Marketing and recruitment		85	14	99	3	-	102	358
Technology		169,509	23,811	193,320	2,273	-	195,593	126,826
Food service		57,666	7,909	65,575	915	-	66,490	52,083
Student services		118,942	15,730	134,672	-	-	134,672	124,220
Office expense		77,616	12,023	89,639	11,040	-	100,679	92,298
Depreciation		34,605	5,646	40,251	1,324	-	41,575	26,761
Other		10,610	1,528	12,138	577	-	12,715	5,338
		\$ 4,752,944	\$ 1,282,602	\$ 6,035,546	\$ 636,957	\$ 60,626	\$ 6,733,129	\$ 6,511,502

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 7,462,768	\$ 7,379,190
Other cash received	96,478	80,067
Cash paid to employees and suppliers	<u>(6,730,654)</u>	<u>(6,392,479)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	828,592	1,066,778
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(50,804)</u>	<u>(24,484)</u>
NET INCREASE IN CASH	777,788	1,042,294
CASH - BEGINNING OF YEAR	<u>1,279,987</u>	<u>237,693</u>
CASH - END OF YEAR	<u>\$ 2,057,775</u>	<u>\$ 1,279,987</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 941,617	\$ 913,722
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,575	26,761
Changes in operating assets and liabilities:		
Cash - restricted	(109)	(75)
Grants receivable	(111,300)	16,723
Prepaid expenses and other assets	(2,758)	19,565
Due from related entities	(4,200)	-
Accounts payable and accrued expenses	(41,306)	71,801
Accrued salaries and other payroll related expenses	(7,351)	13,789
Due to NYC Department of Education	3,132	(12,818)
Due to related entities	<u>9,292</u>	<u>17,310</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 828,592</u>	<u>\$ 1,066,778</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

1. NATURE OF THE ORGANIZATION

New Visions Charter High School for Advanced Math and Science (the "School") is a New York State not-for-profit educational corporation that was incorporated on December 14, 2010 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, received a charter from The Charter Schools Institute - State University of New York ("SUNY-CSI") to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved Charter Application and Charter Agreement dated November 19, 2010. The School endeavors to extend equally to all students, regardless of their previous academic history, the highest quality education in an atmosphere of respect, responsibility and safety. The School's charter was renewed for an additional five years, expiring in December 2020.

The School is exempt from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

In fiscal year 2016, the School operated classes for students in ninth, tenth, eleventh, and twelfth grades.

The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, and school safety. Square footage totaling 13,434 feet is allocated to the School.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions and requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in the statement of financial position. The amounts of change in each of the classes of net assets are also required to be displayed in the statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The School has no temporarily or permanently restricted net assets at June 30, 2016.

Cash – Restricted

Included in cash - restricted is an escrow account of \$75,267 and \$75,158 at June 30, 2016 and 2015, respectively, which is held aside for contingency purposes as required by SUNY–CSI.

Grants Receivable

Grants receivable represent federal and state entitlements and grants. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amounted to \$499,767 and \$388,467 at June 30, 2016 and 2015, respectively. The School has determined that no allowance for uncollectible accounts was necessary at June 30, 2016 and 2015. Such estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

Revenue is recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from 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 certain state and local funds are recorded when expenditures are incurred and billable to the government agencies.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Net Assets

Unrestricted net assets consist of revenues derived from government agencies, public contributions and other revenues for youth education. These net assets account for resources over which the Board of Trustees has discretionary control to use in carrying on the operations of the School.

Premises Provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined, and is industry practice.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as they occur. The School has established a \$3,000 threshold above which assets are evaluated to be capitalized. The School expenses leasehold improvements because it has no lease and is uncertain that the space will be available beyond the close of the current fiscal year. Removable equipment that can be transferred to new space, if necessary, is capitalized. Depreciation is provided on the straight line method over the estimated useful lives as follows:

Furniture and office equipment	3 years
Computer equipment	3 years

Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2016 and 2015.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of the proportionate share of instructional expenses and management and general. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 25, 2016, which is the date the financial statements were available to be issued.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information

The June 30, 2016 financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for June 30, 2015 are presented. As a result, the June 30, 2015 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2015 information should be read in conjunction with the School's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

The School files informational returns in the Federal and New York State jurisdictions. With few exceptions, the School is no longer subject to Federal, state, or local income tax examinations for fiscal years before 2013.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of income tax as "Other Expense."

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The School is currently evaluating the effect the update will have on its financial statements.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

3. RELATED PARTY TRANSACTIONS

New Visions for Public Schools ("New Visions") is a not-for-profit organization dedicated to supporting public schools and helping to start and manage charter schools. Pursuant to the terms of the Educational Services Agreement by and between the School and New Visions dated July 22, 2011, New Visions provides educational management, operational services, and fundraising to the School. As compensation to New Visions for these services rendered, the School pays 8% of its gross revenues. Gross revenue is defined as all such funding provided by the State, Federal, and local governments, but excludes any private grant funding awarded to the School.

The balance due to New Visions from the School at June 30, 2016 and 2015 amounted to \$138,130 and \$128,838, respectively, which is comprised of management fees. Total management fees incurred by the School for the years ended June 30, 2016 and 2015 totaled \$606,261 and \$587,612, respectively.

For operational efficiency and purchasing power, the School also shares expenses with other charter schools related by common management. At June 30, 2016, the balance due from the other charter schools was \$4,200. At June 30, 2015, there was no balance due to or from the other charter schools.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 145,466	\$ 94,662
Furniture and office equipment	<u>27,124</u>	<u>27,124</u>
	172,590	121,786
Less: accumulated depreciation	<u>(122,582)</u>	<u>(81,007)</u>
	<u>\$ 50,008</u>	<u>\$ 40,779</u>

Depreciation expense amounted to \$41,575 and \$26,761 for the years ended June 30, 2016 and 2015, respectively.

5. GRANTS RECEIVABLE

Grants receivable consists of federal and state entitlements and grants. The School expects to collect these receivables within one year. Grants receivable consist of the following as of June 30,:

	<u>2016</u>	<u>2015</u>
School Improvement Grant	\$ 80,000	\$ 144,637
E-Rate Reimbursement	65,838	25,849
Mount Vernon – Per Pupil	17,144	-
Yonkers – Per Pupil	87,378	72,615
Title I	138,878	139,041
Title II	5,126	5,441
NYS Additional Funding	98,312	-
Other	<u>7,091</u>	<u>884</u>
	<u>\$ 499,767</u>	<u>\$ 388,467</u>

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. PENSION PLAN

The School has adopted the New Visions for Public Schools' pension plan (the "Plan") which is qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. The Plan is an elective contribution plan. Employees are eligible to enroll in the Plan once they have completed at least 1 full year of service and completion of 1,000 work hours and are also eligible for discretionary employer contributions. The School's contribution becomes fully vested after the sixth year of the employee's service. Pension expense amounted to \$218,885 and \$128,335, net of forfeitures, for the years ended June 30, 2016 and 2015, respectively, and is included in retirement in the statement of functional expenses.

7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

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

8. COMMITMENTS

In December 2011, the School entered into a service contract with Lincoln Center Institute for the Arts in Education ("LCI") to receive high school literacy-related services based on a fee for service basis. The contract is effective through June 2017, with additional one-year extensions until the contract is terminated. Services include teaching artists, program manager, and yearly licensing for materials. The fee is based on rates negotiated between LCI and the United Federation of Teachers, Lincoln Center Teaching Artist Chapter, NYSUT, AFT, AFL-CIO, whose rates are expected to increase 3% per year. Future minimum payments under the contract through June 30, 2017 are \$97,655.

The School leases office equipment and copiers under non-cancelable operating leases which will expire at various times during the next four years. The leasing expense for the years ended June 30, 2016 and 2015 was \$35,938 and \$29,593, respectively, which is included in the accompanying statement of functional expenses under office expense. Future minimum lease payments are as follows:

<u>June 30,</u>	
2017	\$ 18,687
2018	16,284
2019	4,364
2020	1,980
2021	<u>1,980</u>
	<u>\$ 43,295</u>

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

9. CONCENTRATIONS

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limits of \$250,000.

The School received approximately 90% of its total revenue from per pupil funding from the NYCDOE during each of the years ended June 30, 2016 and 2015.

The School's grants receivable consist of five major grantors accounting for approximately 94% at June 30, 2016 and three major grantors accounting for approximately 92% at June 30, 2015.

The School's payables consist of one major vendor accounting for approximately 24% at June 30, 2016 and four major vendors accounting for approximately 54% at June 30, 2015.



Independent Auditor's 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 Trustees
New Visions Charter High School for Advanced Math and Science

We have audited, 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, the financial statements of New Visions Charter High School for Advanced Math and Science (the "School"), which comprise the statement of financial position as of June 30, 2016, 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 25, 2016.

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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the School in a separate letter dated October 25, 2016.

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.

MBAF CPAs, LLC

New York, NY
October 25, 2016

New Visions Charter High School For Advanced Math and Science

Communication With Those Charged With Governance

OCTOBER 25, 2016





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To the Audit Committee
New Visions Charter High School for Advanced Math and Science

We have audited the financial statements of New Visions Charter High School for Advanced Math and Science (the "School") for the year ended June 30, 2016 and are prepared to issue our report thereon dated October 25, 2016. Professional standards require that we provide you with the following information related to our audit. This letter is divided into two sections: 1) required communications from the auditors to those with audit oversight responsibilities and 2) opportunities for strengthening internal controls or enhancing operating efficiency and our related recommendations.

REQUIRED COMMUNICATIONS

A. Our Responsibility under U.S. Generally Accepted Auditing Standards:

As stated in our engagement letter dated April 18, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of New Visions Charter High School for Advanced Math and Science. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

B. Planned Scope and Timing of the Audit:

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in April 2016.

C. Auditor Independence:

We affirm that MBAF CPAs, LLC is independent with respect to New Visions Charter High School for Advanced Math and Science.

D. Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School are described in Note 2 to the financial statements. As described therein, the School elected to implement the application of an accounting pronouncement pertaining to accounting for uncertain tax positions. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

E. Accounting Estimates Used in the Financial Statements:

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Allowance for Doubtful Accounts:

As of June 30, 2016, New Visions Charter High School for Advanced Math and Science recorded contributions and other receivables of \$499,767. Management concluded that no allowance for doubtful accounts was necessary. Management calculated based on the assessment of the credit-worthiness of the School's donors, the aged basis of the receivables, as well as economic conditions and historical information. Based on our audit procedures which included a discussion with the Director of Finance and a review of subsequent collections, we concur with management's conclusion.

Functional Statement Allocation:

Management's estimate of the allocation of functional expenses is directly identified with the program or supporting service to which they relate. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Depreciation:

Management's estimate of depreciation is based on estimated useful lives of assets. We evaluated the estimated useful lives of assets in comparison to generally accepted accounting principles in determining that it is reasonable in relation to the financial statements taken as a whole.

F. Sensitive Disclosures Affecting the Financial Statements:

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

The disclosure of Risk Management in Note 7 to the financial statements which describes various risks to which the School is exposed.

G. Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Except as made known to you, management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We will identify those adjustments proposed both corrected and uncorrected:

Proposed and Corrected:

There were no audit adjustments during the fiscal year or prior year.

Proposed and Uncorrected:

There were no entries that were proposed and uncorrected during the fiscal year.

H. Audit Difficulties and Disagreements with Management:

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

I. Management Representations:

We have requested certain representations from management that are included in the management representation letter dated October 25, 2016.

J. Management Consultations with Other Independent Accountants:

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

K. Other Audit Findings or Issues:

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OPPORTUNITIES FOR STRENGTHENING INTERNAL CONTROLS OR ENHANCING OPERATING EFFICIENCY

School Facility Lease Agreement:

Through conversations with the School's management, we have been informed that a formal written agreement between New Visions Charter High School for Advanced Math and Science and the Department of Education does not exist. We recommend that New Visions Charter High School for Advanced Math and Science periodically re-explore the risks of such a relationship.

We wish to thank management and personnel for their support and assistance during our audit. We would be pleased to further discuss the contents of this report with you at your convenience.

This information is intended solely for the use of the Audit Committee, Board of Trustees, and management of New Visions Charter High School for Advanced Math and Science and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

MBAF CPAs, LLC

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