

FAMILY LIFE ACADEMY CHARTER SCHOOLS

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2018

(With Comparative Totals for 2017)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	10
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	22
Statement of Financial Position by Charter	23
Statement of Activities and Changes in Net Assets by Charter	25
Statement of Functional Expenses by Charter – Family Life Academy Charter School I	26
Statement of Functional Expenses by Charter – Family Life Academy Charter School II	27
Statement of Functional Expenses by Charter – Family Life Academy Charter School III	28
Statement of Functional Expenses by Charter – Family Life Academy Charter School Network	29

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Family Life Academy Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Family Life Academy Charter Schools (the "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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 from 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 Organization'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 Organization'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 Family Life Academy Charter Schools as of June 30, 2018, 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 Family Life Academy Charter Schools' June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report date October 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it is derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018 on our consideration of Family Life Academy Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Family Life Academy Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 11, 2018

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for 2017)

<u>ASSETS</u>	June 30,	
	2018	2017
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,520,933	\$ 1,687,775
Cash in escrow	277,977	275,775
Certificate of deposit	199,264	-
Grants and other receivables	822,371	969,168
Prepaid expenses and other current assets	301,692	258,840
TOTAL CURRENT ASSETS	5,122,237	3,191,558
<u>PROPERTY AND EQUIPMENT, net</u>	2,688,798	2,173,232
<u>OTHER ASSETS</u>		
Security deposits	319,310	296,710
Due from related parties	69,232	75,232
Certificate of deposit	-	197,085
	388,542	569,027
TOTAL ASSETS	\$ 8,199,577	\$ 5,933,817
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of capital lease payable	\$ 132,297	\$ -
Accounts payable and accrued expenses	202,589	310,776
Accrued payroll and benefits	995,364	804,762
Vacation accrual	310,275	261,778
Deferred revenue	532,616	402,270
TOTAL CURRENT LIABILITIES	2,173,141	1,779,586
<u>OTHER LIABILITIES</u>		
Capital lease payable	132,298	-
Deferred lease incentive	456,890	396,875
Deferred rent payable	1,967,449	1,378,793
	2,556,637	1,775,668
<u>NET ASSETS</u>		
Unrestricted	3,417,938	2,340,235
Temporarily restricted	51,861	38,328
	3,469,799	2,378,563
TOTAL LIABILITIES AND NET ASSETS	\$ 8,199,577	\$ 5,933,817

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	Year ended June 30,			
	2018			2017
	Unrestricted	Temporarily restricted	Total	Total
Revenue, gains and other support:				
Public school district:				
Resident student enrollment	\$ 15,100,111	\$ -	\$ 15,100,111	\$ 13,485,496
Students with disabilities	919,785	-	919,785	815,494
Grants and contracts:				
State and local	523,740	-	523,740	484,095
Federal - Title and IDEA	923,331	-	923,331	752,144
Federal - other	240,603	-	240,603	170,177
Food service/Child Nutrition Program	724,601	-	724,601	611,283
NYC DOE rental assistance	1,843,796	-	1,843,796	744,015
TOTAL REVENUE, GAINS AND OTHER SUPPORT	20,275,967	-	20,275,967	17,062,704
Expenses:				
Program services:				
Regular education	14,915,848	-	14,915,848	13,269,676
Special education	1,884,121	-	1,884,121	1,565,388
Total program services	16,799,969	-	16,799,969	14,835,064
Management and general	2,433,061	-	2,433,061	2,153,081
Fundraising and special events	158,225	-	158,225	175,419
TOTAL OPERATING EXPENSES	19,391,255	-	19,391,255	17,163,564
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	884,712	-	884,712	(100,860)
Support and other revenue:				
Contributions:				
Foundations	50,250	70,000	120,250	85,550
Individuals	8,231	-	8,231	1,000
Corporations	8,000	-	8,000	2,956
In-kind	11,000	-	11,000	32,728
Fundraising	3,265	-	3,265	7,784
Interest income	28,845	-	28,845	18,167
Other income	26,933	-	26,933	17,306
Net assets released from restriction	56,467	(56,467)	-	-
TOTAL SUPPORT AND OTHER REVENUE	192,991	13,533	206,524	165,491
LOSS FROM JOINT VENTURE	-	-	-	(1,192)
CHANGE IN NET ASSETS	1,077,703	13,533	1,091,236	63,439
Net assets at beginning of year	2,340,235	38,328	2,378,563	2,315,124
NET ASSETS AT END OF YEAR	\$ 3,417,938	\$ 51,861	\$ 3,469,799	\$ 2,378,563

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	Year ended June 30,								
	2018				2017				
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel services costs:									
Administrative staff personnel	56	\$ 2,184,429	\$ 276,557	\$ 2,460,986	\$ 1,226,682	\$ 133,485	\$ 1,360,167	\$ 3,821,153	\$ 3,167,906
Instructional personnel	101	4,824,160	610,899	5,435,059	-	-	-	5,435,059	5,043,632
Non-instructional personnel	34	888,851	110,553	999,404	71,381	-	71,381	1,070,785	815,536
Total personnel services costs	191	7,897,440	998,009	8,895,449	1,298,063	133,485	1,431,548	10,326,997	9,027,074
Fringe benefits and payroll taxes		1,412,891	176,742	1,589,633	201,355	19,386	220,741	1,810,374	1,473,407
Retirement		109,875	14,061	123,936	31,167	3,855	35,022	158,958	169,191
Legal service		2,356	324	2,680	22,871	-	22,871	25,551	2,723
Accounting / audit services		-	-	-	58,542	-	58,542	58,542	54,872
Other purchased / professional / consulting services		198,067	24,998	223,065	88,384	-	88,384	311,449	285,789
Building and land rent / lease		2,749,079	346,812	3,095,891	164,678	-	164,678	3,260,569	3,054,519
Repairs and maintenance		323,281	41,608	364,889	17,847	-	17,847	382,736	347,493
Insurance		4,096	521	4,617	121,217	-	121,217	125,834	106,283
Utilities		214,453	28,051	242,504	12,218	-	12,218	254,722	256,747
Supplies / materials		411,157	50,587	461,744	-	-	-	461,744	501,317
Equipment / furnishings		-	-	-	11,511	-	11,511	11,511	10,232
Staff development		142,779	18,395	161,174	12,123	-	12,123	173,297	273,325
Marketing / recruitment		-	-	-	34,609	-	34,609	34,609	22,591
Technology		42,059	5,544	47,603	130,166	-	130,166	177,769	188,835
Food services		680,182	87,825	768,007	-	-	-	768,007	519,905
Student services		192,370	25,417	217,787	-	-	-	217,787	106,892
Office expense		78,447	9,629	88,076	164,394	1,499	165,893	253,969	260,563
Depreciation and amortization		457,316	55,598	512,914	56,032	-	56,032	568,946	501,564
Other		-	-	-	7,884	-	7,884	7,884	242
		<u>\$ 14,915,848</u>	<u>\$ 1,884,121</u>	<u>\$ 16,799,969</u>	<u>\$ 2,433,061</u>	<u>\$ 158,225</u>	<u>\$ 2,591,286</u>	<u>\$ 19,391,255</u>	<u>\$ 17,163,564</u>

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,091,236	\$ 63,439
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	568,946	501,564
Gain on sale of property and equipment	(19,121)	-
Loss from joint venture	-	1,192
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	146,797	(504,189)
Prepaid expenses and other current assets	(42,852)	(133,973)
Security deposits	(22,600)	(68,457)
Accounts payable and accrued expenses	(108,187)	52,219
Accrued payroll and benefits	190,602	2,947
Vacation accrual	48,497	72,773
Deferred revenue	130,346	186,631
Deferred lease incentive	60,015	296,875
Deferred rent payable	588,656	890,023
NET CASH PROVIDED FROM OPERATING ACTIVITIES	2,632,335	1,361,044
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(701,149)	(1,210,110)
Proceeds from sale of property and equipment	31,263	-
Purchase of certificate of deposit	(2,179)	(197,085)
Change in due from related parties	6,000	6,000
Change in cash in escrow	(2,202)	(73,039)
Distribution from joint venture	-	1,283
NET CASH USED FOR INVESTING ACTIVITIES	(668,267)	(1,472,951)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of capital lease payable	(130,910)	-
NET CASH USED FOR FINANCING ACTIVITIES	(130,910)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,833,158	(111,907)
Cash and cash equivalents at beginning of year	1,687,775	1,799,682
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,520,933</u>	<u>\$ 1,687,775</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	\$ 1,387	\$ -
<u>NON CASH INVESTING AND FINANCING ACTIVITIES</u>		
Capital lease payable incurred in connection with purchase of property and equipment	\$ 395,505	\$ -

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Family Life Academy Charter Schools (the “Organization”) is an educational corporation operating in the borough of the Bronx, New York and is comprised of various individual charter schools.

Family Life Academy Charter School I (“FLACS I”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On May 14, 2001, the Board of Regents of the University of the State of New York granted FLACS I a provisional charter valid for a term of five years and renewable upon expiration. On May 20, 2008 and August 19, 2013, FLACS I obtained a five year renewal, which expired June 30, 2018. On February 13, 2018 FLACS I obtained a five year renewal, which expires June 30, 2023.

Family Life Academy Charter School II (“FLACS II”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On September 13, 2011, the Board of Regents of the University of the State of New York granted FLACS II a provisional charter valid for a term of five years and renewable upon expiration. On March 8, 2017, FLACS II obtained a five year renewal, which currently expires July 31, 2022.

On March 31, 2014, the Board of Regents of the University of the State of New York amended the FLACS I charter agreement permitting additional schools under FLACS I’s educational corporation. During the 2014 fiscal year, FLACS I added Family Life Academy Charter School III (“FLACS III”) under its expanded charter. FLACS III has the authority to operate through July 31, 2019.

FLACS I, FLACS II, and FLACS III are schools in a predominately Latino community in the South Bronx. They seek to empower New York City English language learners in grades Kindergarten through Grade 8 to achieve high standards in English and to help them take responsibility for their own learning, and encourage them to explore and affirm human values.

Family Life Academy Charter Schools Network (“FLACS N”) is a division of the educational corporation operating as a charter school management organization. FLACS N’s purpose is to manage and support a network of open-enrollment free college preparatory charter schools committed to high academic standards, merit, citizenship and responsibility in New York City’s neediest neighborhoods.

Basis of presentation

The accompanying financial statements include the accounts of FLACS I, FLACS II, FLACS III, and FLACS N (collectively referred to as the “Organization”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Financial Statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at June 30, 2018 and 2017.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets at June 30, 2018 and 2017 are restricted for the purchase of certain equipment and for various programs at the Organization.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established by the Organization. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Organization's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Organization when qualifying expenditures are incurred and billable.

Revenue from NYC DOE rental assistance is recognized in the year the Organization is eligible for such assistance. The facilities assistance is granted to charter schools that are newly opened or expanding grade levels and the NYC DOE was not able to find public space for the charter school.

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Cash and cash equivalents

Cash and cash equivalents are maintained in certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Organization maintains cash in an escrow account, in accordance with the terms of its Charter Agreement. A portion of the escrow account is invested in a certificate of deposit with a maturity date of May 2019.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2018 or 2017.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from two to fifteen years.

Deferred revenue

The Organization records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Certificate of deposit

The Organization maintains its certificate of deposit at a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Organization's balance may exceed federally insured limits. The Organization has not experienced any losses in such account and does not believe it is exposed to any significant risk. Certificate of deposit has a maturity date of July 2018.

Tax exempt status

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Organization files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2015 through June 30, 2018 are still subject to potential audit by the IRS. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributed goods and services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Organization received transportation services, special education services and a school nurse for the students from the local district. The Organization was unable to determine a value for these services.

The Organization received contributed professional development and programming services and contributed goods which were valued at approximately \$11,000 and \$32,730 for the years ended June 30, 2018 and 2017, respectively. These amounts are included in in-kind revenue in the accompanying statement of activities and changes in net assets.

Marketing costs

The Organization expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$35,000 and \$23,000 for the years ended June 30, 2018 and 2017, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Comparative information for the year ended June 30, 2017

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 11, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note K.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE B: RELATED PARTY TRANSACTIONS

FLACS N receives a management allocation from FLACS I, FLACS II, and FLACS III (the "Charter Schools"). The Organization pays for certain operating expenses that benefit the entire organization and then allocates to each Charter School a percentage of these expenses based on the full time equivalent student enrollment at each Charter School. FLACS N was allocated \$1,002,206 from FLACS I, \$1,616,029 from FLACS II, and \$820,317 from FLACS III for the year ended June 30, 2018. FLACS N was allocated \$1,435,395 from FLACS I, \$908,646 from FLACS II, and \$614,408 from FLACS III for the year ended June 30, 2017.

Classrooms and office facilities of FLACS I are leased from LPAC, whose President is a member of the Board of the Organization. See Note F for further details and future minimum lease payments. During the years ended June 30, 2018 and 2017, the Organization had approximately \$69,000 and \$75,000, respectively, of receivables from LPAC.

During 2013 the Organization and LPAC entered into a joint venture to purchase a building, which was sold during January 2016. The Organization transferred and assigned all of its membership interest in the joint venture to LPAC in November 2016. See Note J for further information.

As part of the joint venture mentioned above, the Organization became a guarantor of a mortgage in the name of LPAC. The term of the guarantee on the LPAC mortgage is through January 2018, at which time an option to extend for an additional 5 years was granted. The Organization would be required to pay the loan in the event of default and as of June 30, 2018 and 2017, the outstanding balance of the mortgage note is approximately \$1,641,000 and \$1,697,000, respectively. At June 30, 2018 and 2017, the maximum amount of future payments (undiscounted) the Organization could be required to make under the guarantee is \$2,705,000 and \$2,529,000, respectively.

During August 2017, the Organization became the guarantor of multiple loans of CG Educational Holdings, Inc. ("CG"). Prior to November 2016, the Organization held a membership interest in CG; however, in November 2016, the Organization transferred and assigned its membership interest to LPAC; therefore, CG is now wholly owned by LPAC. The loans are for the acquisition and remodeling of a building that will eventually become a middle school leased to FLACS II, see Note F for more information. The aggregate principal balance of the loans as of June 30, 2018 was approximately \$30,973,000. The Organization's guaranty shall never be greater than 10% of the total development cost, which as of June 30, 2018, was approximately \$30,973,000. At June 30, 2018, the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee is approximately \$3,097,300. The term of the guarantee on the loans is through the end of the lease which is expected to be in 2037; however, if the Organization meets certain conditions, they can be released from the guaranty prior to the end of the lease. The Organization fully expects this debt will be repaid by CG in accordance with its terms.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 3,831,648	\$ 3,461,464
Furniture and fixtures	1,038,203	1,025,588
Computers and equipment	<u>1,875,398</u>	<u>1,342,837</u>
	6,745,249	5,829,889
Less accumulated depreciation and amortization	<u>4,056,451</u>	<u>3,656,657</u>
	<u>\$ 2,688,798</u>	<u>\$ 2,173,232</u>

At June 30, 2018, \$45,373 of construction in progress was included in leasehold improvements; which was mainly for improvements to the new FLACS II middle school facility expected to be utilized in the 2019 school year. At June 30, 2017, \$448,318 of construction in progress was included in leasehold improvements; which was mainly for improvements to the FLACS II facility that were utilized in the 2018 school year.

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense was \$568,946 and \$501,564 for the years ended June 30, 2018 and 2017, respectively.

NOTE D: CAPITAL LEASE PAYABLE

The Organization entered into a capital lease payable during August 2017, payable in annual installments, including interest at .35066% per annum, through September 2019. Secured by certain equipment. The capital lease had \$264,595 outstanding as of June 30, 2018. Interest expense related to the capital lease was \$1,387 during the year ended June 30, 2018.

The future maturities of the capital lease payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 132,297
2020	<u>132,298</u>
	<u>\$ 264,595</u>

The lease agreement is through August 2020 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2018. The net book value of this equipment was \$329,587 at June 30, 2018.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE E: EQUIPMENT LEASES

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through July 2022. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 69,573
2020	69,573
2021	69,573
2022	69,573
2023	5,798
	<u>\$ 284,090</u>

NOTE F: SCHOOL FACILITIES

FLACS I leased classrooms and office facilities under a non-cancelable lease agreement originally expiring in June 2018. The lease was amended effective September 1, 2016 with an expiration date of June 30, 2022 and a revised payment schedule. FLACS I's base rent for the years ended June 30, 2018 and 2017 was \$967,364 and \$902,767, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2018 and 2017. Additionally, during the year ended June 30, 2018 a portion of the FLACS I facility was used for FLACS II students, therefore \$327,880 of this base rent was allocated to FLACS II for the year ended June 30, 2018. Total rent expense relative to this lease was \$994,081 and \$950,162 for the years ended June 30, 2018 and 2017, respectively. In conjunction with this facility lease, FLACS I paid a security deposit of \$155,833 which is included in security deposits on the accompanying statement of financial position at June 30, 2018 and 2017.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 982,311
2020	1,011,780
2021	1,037,811
2022	1,068,947
	<u>\$ 4,100,849</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE F: SCHOOL FACILITIES, Cont'd

FLACS II leases classrooms and office facilities under a non-cancelable lease agreement expiring in June 2038 which they assumed from their former landlord effective January 2015. FLACS II's base rent for the years ended June 30, 2018 and 2017 was \$534,816 and \$526,899, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2018 and 2017. In connection with the assumption of this lease, the former landlord agreed to share in the cost of FLACS II making certain leasehold improvements to the building in accordance with the terms of the agreement. During the years ended June 30, 2018 and 2017, \$82,859 and \$344,122 had been advanced to FLACS II, respectively, and are recorded as a "Deferred lease incentive" on the accompanying statement of financial position at June 30, 2018 and 2017. These reimbursements will be recognized as a reduction of rent expense on a straight line basis over the term of the lease. Rent expense relative to this lease was \$799,806 and \$756,053 for the years ended June 30, 2018 and 2017, respectively. Also in conjunction with this facility lease, FLACS II paid a security deposit of \$163,477 and \$140,877 as of June 30, 2018 and 2017, respectively, which is included in security deposits on the accompanying statement of financial position at June 30, 2018 and 2017.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 569,894
2020	592,690
2021	616,397
2022	641,053
2023	666,695
Thereafter	<u>13,883,620</u>
	<u>\$ 16,970,349</u>

On August 11, 2017, FLACS II signed a lease agreement with CG for a new middle school building as described in Note B. The lease has a twenty year term upon completion of the building, and payments are to be determined upon completion of the building. The building is expected to be completed during the 2019 school year.

FLACS III leases classrooms and office facilities under a non-cancelable lease agreement expiring in August 2038. FLACS III's base rent for the years ended June 30, 2018 and 2017 was \$981,100 and \$606,208, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2018 and 2017. Rent expense relative to this lease was \$1,278,049 and \$1,175,932 for the years ended June 30, 2018 and 2017, respectively.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE F: SCHOOL FACILITIES, Cont'd

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 1,015,462
2020	1,045,926
2021	1,077,304
2022	1,109,623
2023	1,142,912
Thereafter	<u>18,673,375</u>
	<u>\$ 24,064,602</u>

The total lease expense for all these leases, as outlined above, was approximately \$3,072,000 and \$2,882,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE G: RETIREMENT PLAN

The Organization sponsors a 401(k) plan (the "Plan") for all eligible employees that are predominantly funded by employees' contributions. The Organization matches employees' contributions up to 4% of their annual salary. During the years ended June 30, 2018 and 2017, the Organization contributed approximately \$148,300 and \$160,900, respectively, to the Plan.

NOTE H: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Organization. Management is of the opinion that such 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.

NOTE I: CONCENTRATIONS

At June 30, 2018, approximately 87% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2018, 79% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

At June 30, 2017, approximately 100% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2017, 84% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE J: JOINT VENTURE

On October 12, 2012, the Organization entered into a joint venture agreement with LPAC forming CG Educational Holding Corp., a 501(c)(25) nonprofit real property title holding corporation (“CG”). The Organization had a 50% beneficial interest in the joint venture. CG was formed for the purposes of owning, holding title and managing the rental of a property designated to be for FLACS III, which the joint venture purchased on January 25, 2013. During January 2016, the building was sold by CG to an unrelated party and FLACS III began occupying the space at the beginning of the 2017 school year. On November 17, 2016, the Organization entered into a transfer, assignment and redemption agreement that transferred all their membership interest in CG to LPAC.

Following is a summary of the financial position and results of operations of the joint venture as of and for the period from July 1, 2016 to November 17, 2016:

	<u>November 17,</u> <u>2016</u>
<u>Statement of Financial Position</u>	
Total assets	\$ -
Total liabilities	<u>-</u>
Net assets	-
FLACS share of net assets	\$ -
<u>Statement of Activities</u>	
Revenue	\$ -
Expenses	<u>2,385</u>
Change in net assets	(2,385)
Distributions	<u>1,283</u>
Change in net assets, after distributions	\$ (3,668)

NOTE K: SUBSEQUENT EVENTS

In July 2018, the Organization entered into a line of credit agreement with a bank with maximum borrowings of \$400,000. The line bears interest at the prime rate plus 2% per annum and expires in August 2019. The line is secured primarily by the assets of the Organization.

In August 2018, the New York State Education Department (NYSED) notified the Organization that it had over-allocated \$53,975 in Title IIA funding to the Organization for the year ended June 30, 2018. NYSED will reduce the Organization’s Title IIA funding for a period of up to five years to recoup the over-allocated funding. The Organization has not accounted for this over-allocated funding as a liability as of June 30, 2018.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE L: RENEWAL PROCESS

FLACS III is currently in the process of renewing its charter as granted by the New York State Board of Regents. The Charter currently expires July 31, 2019. The renewal process includes review by the State University of New York Charter Schools Institute (CSI) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. FLACS III has submitted its application for renewal. Upon review of the application and results, CSI will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of FLACS III expects the charter to be renewed.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Family Life Academy Charter Schools

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2018, and have issued our report thereon dated October 11, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2018, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 11, 2018

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2018

<u>ASSETS</u>	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT ASSETS</u>						
Cash and cash equivalents	\$ 1,433,186	\$ 1,254,117	\$ 790,037	\$ 43,593	\$ -	\$ 3,520,933
Cash in escrow	177,140	100,837	-	-	-	277,977
Certificate of deposit	199,264	-	-	-	-	199,264
Grants and other receivables	236,081	432,399	153,891	-	-	822,371
Interschool receivables	-	-	98,316	99,889	(198,205)	-
Prepaid expenses and other current assets	<u>93,859</u>	<u>103,756</u>	<u>86,138</u>	<u>17,939</u>	<u>-</u>	<u>301,692</u>
TOTAL CURRENT ASSETS	2,139,530	1,891,109	1,128,382	161,421	(198,205)	5,122,237
<u>PROPERTY AND EQUIPMENT, net</u>	377,508	1,435,510	457,823	417,957	-	2,688,798
<u>OTHER ASSETS</u>						
Security deposits	155,833	163,477	-	-	-	319,310
Due from related parties	<u>69,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,232</u>
	<u>225,065</u>	<u>163,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,542</u>
TOTAL ASSETS	<u>\$ 2,742,103</u>	<u>\$ 3,490,096</u>	<u>\$ 1,586,205</u>	<u>\$ 579,378</u>	<u>\$ (198,205)</u>	<u>\$ 8,199,577</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION BY CHARTER, Cont'd

JUNE 30, 2018

<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT LIABILITIES</u>						
Current portion of capital lease payable	\$ -	\$ -	\$ -	\$ 132,297	\$ -	\$ 132,297
Accounts payable and accrued expenses	78,608	35,579	29,079	59,323	-	202,589
Interschool payables	147,713	50,492	-	-	(198,205)	-
Accrued payroll and benefits	282,605	404,072	222,723	85,964	-	995,364
Vacation accrual	29,438	99,089	55,638	126,110	-	310,275
Deferred revenue	20,920	98,450	413,246	-	-	532,616
TOTAL CURRENT LIABILITIES	559,284	687,682	720,686	403,694	(198,205)	2,173,141
<u>OTHER LIABILITIES</u>						
Capital lease payable	-	-	-	132,298	-	132,298
Deferred lease incentive	-	456,890	-	-	-	456,890
Deferred rent payable	126,540	974,236	866,673	-	-	1,967,449
	126,540	1,431,126	866,673	132,298	-	2,556,637
<u>NET ASSETS (DEFICIT)</u>						
Unrestricted	2,056,279	1,319,427	(1,154)	43,386	-	3,417,938
Temporarily restricted	-	51,861	-	-	-	51,861
	2,056,279	1,371,288	(1,154)	43,386	-	3,469,799
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 2,742,103	\$ 3,490,096	\$ 1,586,205	\$ 579,378	\$ (198,205)	\$ 8,199,577

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2018

	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
Revenue, gains and other support:						
Public school district:						
Resident student enrollment	\$ 4,403,630	\$ 7,095,088	\$ 3,601,393	\$ -	\$ -	\$ 15,100,111
Students with disabilities	162,344	595,616	161,825	-	-	919,785
Grants and contracts:						
State and local	205,998	209,131	108,611	-	-	523,740
Federal - Title and IDEA	404,914	363,307	155,110	-	-	923,331
Federal - other	26,265	181,485	32,853	-	-	240,603
Food service/Child Nutrition Program	182,862	323,962	217,777	-	-	724,601
NYC DOE rental assistance	-	862,696	981,100	-	-	1,843,796
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>5,386,013</u>	<u>9,631,285</u>	<u>5,258,669</u>	<u>-</u>	<u>-</u>	<u>20,275,967</u>
Expenses:						
Program services:						
Regular education	4,392,442	6,481,730	4,048,551	1,681,454	(1,688,329)	14,915,848
Special education	<u>425,636</u>	<u>967,827</u>	<u>490,328</u>	<u>213,521</u>	<u>(213,191)</u>	<u>1,884,121</u>
Total program services	4,818,078	7,449,557	4,538,879	1,894,975	(1,901,520)	16,799,969
Management and general	602,207	1,149,205	687,201	1,373,307	(1,378,859)	2,433,061
Fundraising and special events	<u>46,101</u>	<u>74,337</u>	<u>37,735</u>	<u>158,225</u>	<u>(158,173)</u>	<u>158,225</u>
TOTAL OPERATING EXPENSES	<u>5,466,386</u>	<u>8,673,099</u>	<u>5,263,815</u>	<u>3,426,507</u>	<u>(3,438,552)</u>	<u>19,391,255</u>
(DEFICIT) / SURPLUS FROM SCHOOL OPERATIONS	(80,373)	958,186	(5,146)	(3,426,507)	3,438,552	884,712
Support and other revenue:						
Contributions:						
Foundations	30,250	70,000	-	20,000	-	120,250
Individuals	801	2,060	-	5,370	-	8,231
Corporations	8,000	-	-	-	-	8,000
In-kind	-	-	11,000	-	-	11,000
Management fee income	-	-	-	3,438,552	(3,438,552)	-
Fundraising	-	2,049	933	283	-	3,265
Interest income	18,453	5,835	3,803	754	-	28,845
Other income	<u>123</u>	<u>14,119</u>	<u>11,191</u>	<u>1,500</u>	<u>-</u>	<u>26,933</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>57,627</u>	<u>94,063</u>	<u>26,927</u>	<u>3,466,459</u>	<u>(3,438,552)</u>	<u>206,524</u>
CHANGE IN NET ASSETS	(22,746)	1,052,249	21,781	39,952	-	1,091,236
Net assets (deficit) at beginning of year	2,109,437	288,627	(22,935)	3,434	-	2,378,563
Transfer of net assets	<u>(30,412)</u>	<u>30,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 2,056,279</u>	<u>\$ 1,371,288</u>	<u>\$ (1,154)</u>	<u>\$ 43,386</u>	<u>\$ -</u>	<u>\$ 3,469,799</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL I

YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	11	\$ 461,910	\$ 43,048	\$ 504,958	\$ 51,464	\$ -	\$ 51,464	\$ 556,422
Instructional personnel	32	1,474,208	137,391	1,611,599	-	-	-	1,611,599
Non-instructional personnel	8	172,251	16,053	188,304	-	-	-	188,304
Total personnel services costs	51	2,108,369	196,492	2,304,861	51,464	-	51,464	2,356,325
Fringe benefits and payroll taxes		428,625	39,946	468,571	10,462	-	10,462	479,033
Retirement		20,215	1,884	22,099	493	-	493	22,592
Legal service		457	43	500	-	-	-	500
Other purchased / professional / consulting services		525,594	65,260	590,854	421,474	46,101	467,575	1,058,429
Building and land rent / lease		596,097	55,554	651,651	14,550	-	14,550	666,201
Repairs and maintenance		96,713	9,013	105,726	2,361	-	2,361	108,087
Insurance		1,233	115	1,348	31,490	-	31,490	32,838
Utilities		55,500	5,173	60,673	1,355	-	1,355	62,028
Supplies / materials		134,905	12,573	147,478	-	-	-	147,478
Equipment / furnishings		-	-	-	3,084	-	3,084	3,084
Staff development		18,416	1,716	20,132	89	-	89	20,221
Marketing / recruitment		-	-	-	50	-	50	50
Technology		7,001	652	7,653	27,889	-	27,889	35,542
Food services		162,558	15,150	177,708	-	-	-	177,708
Student services		46,519	4,335	50,854	-	-	-	50,854
Office expense		17,673	1,647	19,320	33,225	-	33,225	52,545
Depreciation and amortization		172,567	16,083	188,650	4,212	-	4,212	192,862
Other		-	-	-	9	-	9	9
		<u>\$ 4,392,442</u>	<u>\$ 425,636</u>	<u>\$ 4,818,078</u>	<u>\$ 602,207</u>	<u>\$ 46,101</u>	<u>\$ 648,308</u>	<u>\$ 5,466,386</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL II

YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	13	\$ 682,064	\$ 104,035	\$ 786,099	\$ 200,881	\$ -	\$ 200,881	\$ 986,980
Instructional personnel	43	2,178,842	332,340	2,511,182	-	-	-	2,511,182
Non-instructional personnel	<u>2</u>	<u>138,997</u>	<u>21,201</u>	<u>160,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,198</u>
Total personnel services costs	58	2,999,903	457,576	3,457,479	200,881	-	200,881	3,658,360
Fringe benefits and payroll taxes		532,298	81,192	613,490	35,644	-	35,644	649,134
Retirement		35,834	5,466	41,300	2,399	-	2,399	43,699
Legal service		1,631	249	1,880	-	-	-	1,880
Other purchased / professional / consulting services		844,122	107,920	952,042	670,416	74,337	744,753	1,696,795
Building and land rent / lease		992,037	151,316	1,143,353	66,429	-	66,429	1,209,782
Repairs and maintenance		165,190	25,196	190,386	11,061	-	11,061	201,447
Insurance		1,878	287	2,165	49,159	-	49,159	51,324
Utilities		116,217	17,727	133,944	7,782	-	7,782	141,726
Supplies / materials		136,638	20,841	157,479	-	-	-	157,479
Equipment / furnishings		-	-	-	4,911	-	4,911	4,911
Staff development		35,757	5,454	41,211	507	-	507	41,718
Marketing / recruitment		-	-	-	2,000	-	2,000	2,000
Technology		20,831	3,177	24,008	46,483	-	46,483	70,491
Food services		321,347	49,015	370,362	-	-	-	370,362
Student services		109,436	16,692	126,128	-	-	-	126,128
Office expense		14,263	2,176	16,439	41,198	-	41,198	57,637
Depreciation and amortization		154,348	23,543	177,891	10,335	-	10,335	188,226
		<u>\$ 6,481,730</u>	<u>\$ 967,827</u>	<u>\$ 7,449,557</u>	<u>\$ 1,149,205</u>	<u>\$ 74,337</u>	<u>\$ 1,223,542</u>	<u>\$ 8,673,099</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL III

YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	11	\$ 410,997	\$ 49,542	\$ 460,539	\$ 114,608	\$ -	\$ 114,608	\$ 575,147
Instructional personnel	26	1,171,110	141,168	1,312,278	-	-	-	1,312,278
Non-instructional personnel	1	7,559	911	8,470	-	-	-	8,470
Total personnel services costs	38	1,589,666	191,621	1,781,287	114,608	-	114,608	1,895,895
Fringe benefits and payroll taxes		277,768	33,483	311,251	20,026	-	20,026	331,277
Retirement		19,181	2,312	21,493	1,383	-	1,383	22,876
Legal services		268	32	300	-	-	-	300
Other purchased / professional / consulting services		451,618	56,747	508,365	346,129	37,735	383,864	892,229
Building and land rent / lease		1,160,945	139,942	1,300,887	83,699	-	83,699	1,384,586
Repairs and maintenance		61,378	7,399	68,777	4,425	-	4,425	73,202
Insurance		985	119	1,104	37,829	-	37,829	38,933
Utilities		42,736	5,151	47,887	3,081	-	3,081	50,968
Supplies / materials		86,196	10,390	96,586	-	-	-	96,586
Equipment / furnishings		-	-	-	1,685	-	1,685	1,685
Staff development		4,294	518	4,812	-	-	-	4,812
Technology		14,227	1,715	15,942	44,145	-	44,145	60,087
Food services		196,277	23,660	219,937	-	-	-	219,937
Student services		36,415	4,390	40,805	-	-	-	40,805
Office expense		15,540	1,873	17,413	23,617	-	23,617	41,030
Depreciation and amortization		91,057	10,976	102,033	6,565	-	6,565	108,598
Other		-	-	-	9	-	9	9
		<u>\$ 4,048,551</u>	<u>\$ 490,328</u>	<u>\$ 4,538,879</u>	<u>\$ 687,201</u>	<u>\$ 37,735</u>	<u>\$ 724,936</u>	<u>\$ 5,263,815</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL NETWORK

YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	21	\$ 629,458	\$ 79,932	\$ 709,390	\$ 859,729	\$ 133,485	\$ 993,214	\$ 1,702,604
Non-instructional personnel	23	570,044	72,388	642,432	71,381	-	71,381	713,813
Total personnel services costs	44	1,199,502	152,320	1,351,822	931,110	133,485	1,064,595	2,416,417
Fringe benefits and payroll taxes		174,200	22,121	196,321	135,223	19,386	154,609	350,930
Retirement		34,645	4,399	39,044	26,892	3,855	30,747	69,791
Legal service		-	-	-	22,871	-	22,871	22,871
Accounting / audit services		-	-	-	58,542	-	58,542	58,542
Other purchased / professional / consulting services		65,062	8,262	73,324	29,224	-	29,224	102,548
Insurance		-	-	-	2,739	-	2,739	2,739
Supplies / materials		53,418	6,783	60,201	-	-	-	60,201
Equipment / furnishings		-	-	-	1,831	-	1,831	1,831
Staff development		84,312	10,707	95,019	11,527	-	11,527	106,546
Marketing / recruitment		-	-	-	32,559	-	32,559	32,559
Technology		-	-	-	11,649	-	11,649	11,649
Office expense		30,971	3,933	34,904	66,354	1,499	67,853	102,757
Depreciation and amortization		39,344	4,996	44,340	34,920	-	34,920	79,260
Other		-	-	-	7,866	-	7,866	7,866
		<u>\$ 1,681,454</u>	<u>\$ 213,521</u>	<u>\$ 1,894,975</u>	<u>\$ 1,373,307</u>	<u>\$ 158,225</u>	<u>\$ 1,531,532</u>	<u>\$ 3,426,507</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

BRONX, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND THE UNIFORM
GUIDANCE**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2018



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE</u>	<u>PAGE</u>
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	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance	5
Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9

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*

Board of Trustees
Family Life Academy Charter Schools

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Family Life Academy Charter Schools, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Family Life Academy Charter Schools' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Life Academy Charter Schools' 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 is 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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 11, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Family Life Academy Charter Schools

Report on Compliance for Each Major Federal Program

We have audited Family Life Academy Charter Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Family Life Academy Charter Schools' major federal programs for the year ended June 30, 2018. Family Life Academy Charter Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Family Life Academy Charter Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Life Academy Charter Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Family Life Academy Charter Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Family Life Academy Charter Schools 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, 2018.

Report on Internal Control over Compliance

Management of Family Life Academy Charter Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family Life Academy Charter Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Life Academy Charter Schools' 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2018, and have issued our report thereon dated October 11, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 11, 2018

FAMILY LIFE ACADEMY CHARTER SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

	Federal CFDA Number	Pass-through Grantor's Number	Total Federal Expenditures
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 680,760
Title IIA - Improving Teacher Quality	84.367	0147	41,645
Title III, Part A - English Language Acquisition Grants	84.365	0293	139,228
Charter Schools Program - Grants for Replication and Expansion of High-Quality Charter Schools	84.282M	U282M170049	149,075
TOTAL DEPARTMENT OF EDUCATION			1,010,708
U.S. Department of Agriculture:			
<u>Passed through NYS Department of Education</u>			
School Breakfast Program	10.553	1000001406	171,986
National School Lunch Program	10.555	1000001406	533,928
TOTAL DEPARTMENT OF AGRICULTURE			705,914
TOTAL ALL PROGRAMS			\$ 1,716,622

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of federal awards (the “schedule”) includes the federal grant activity of Family Life Academy Charter Schools 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Family Life Academy Charter Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

FAMILY LIFE ACADEMY CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported
- Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported
- Type of auditor's report issued on compliance for major federal programs: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of major federal program:

CFDA Number:

84.010

Name of Federal Program or Cluster:

Title I - Grants to Local Educational Agencies

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

 \$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

FAMILY LIFE ACADEMY CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2018

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.