

# **Ascend Charter Schools**

Financial Statements and  
Uniform Guidance Schedules  
Together With Independent Auditors' Reports

June 30, 2020 and 2019

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Uniform Guidance Schedules  
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## **Independent Auditors' Report**

**Board of Trustees**  
**Ascend Charter Schools**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ascend Charter Schools (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 entity'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 entity'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 the School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school, for the year ended June 30, 2020 on pages 21 through 30 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 31 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), 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 as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 26, 2020

## Ascend Charter Schools

### Statements of Financial Position

	June 30,	
	2020	2019
<b>ASSETS</b>		
Current Assets		
Cash	\$ 13,010,845	\$ 12,535,301
Grants and contracts receivable	2,993,848	1,242,978
Prepaid expenses	<u>938,908</u>	<u>262,154</u>
Total Current Assets	16,943,601	14,040,433
Property and equipment, net	11,775,583	9,331,930
Security deposits	332,014	326,305
Restricted cash	<u>325,178</u>	<u>250,199</u>
	<u>\$ 29,376,376</u>	<u>\$ 23,948,867</u>
 <b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,116,986	\$ 2,082,487
Accrued payroll and payroll taxes	5,116,070	3,256,437
Refundable advances	184,742	93,700
Loan payable, current portion	120,742	-
Deferred rent, current portion	3,290,638	2,600,375
Due to related parties	<u>1,787,896</u>	<u>676,740</u>
Total Current Liabilities	11,617,074	8,709,739
Due to related party	947,317	947,317
Loan payable	2,171,855	-
Deferred rent	<u>19,707,101</u>	<u>15,689,949</u>
Total Liabilities	34,443,347	25,347,005
Net assets (deficit), without donor restrictions	<u>(5,066,971)</u>	<u>(1,398,138)</u>
	<u>\$ 29,376,376</u>	<u>\$ 23,948,867</u>

## Ascend Charter Schools

### Statements of Activities

	Year Ended June 30,	
	2020	2019
<b>OPERATING REVENUE</b>		
State and local per pupil operating revenue		
General and special education	\$ 98,233,518	\$ 86,581,003
Facilities	12,056,551	9,620,148
Federal grants	5,349,574	5,795,101
Federal E-Rate and IDEA	1,542,729	1,068,649
State and city grants	465,111	410,559
	<u>117,647,483</u>	<u>103,475,460</u>
<b>EXPENSES</b>		
Program Services		
Regular education	76,139,561	64,169,383
Special education	21,969,938	20,165,857
Total Program Services	98,109,499	84,335,240
Supporting Services		
Management and general	22,870,470	19,806,649
	<u>120,979,969</u>	<u>104,141,889</u>
Total Expenses		
	<u>120,979,969</u>	<u>104,141,889</u>
Deficit from Operations	<u>(3,332,486)</u>	<u>(666,429)</u>
<b>SUPPORT AND OTHER REVENUE</b>		
Contributions	16,109	18,115
Rental income	135,000	135,000
Interest and other revenue	19,660	28,587
Total Support and Other Revenue	170,769	181,702
Write off of grants and contracts receivable	<u>(507,116)</u>	<u>-</u>
Change in Net Assets	<u>(3,668,833)</u>	<u>(484,727)</u>
<b>NET ASSETS (DEFICIT)</b>		
Beginning of year	<u>(1,398,138)</u>	<u>(913,411)</u>
End of year	<u>\$ (5,066,971)</u>	<u>\$ (1,398,138)</u>

See notes to financial statements

## Ascend Charter Schools

### Statement of Functional Expenses Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	142	\$ 6,461,308	\$ 1,896,989	\$ 8,358,297	\$ 6,093,863	\$ 14,452,160
Instructional personnel	540	31,746,175	8,987,259	40,733,434	-	40,733,434
Non-instructional personnel	43	-	-	-	1,452,053	1,452,053
Total Salaries and Staff	<u>725</u>	<u>38,207,483</u>	<u>10,884,248</u>	<u>49,091,731</u>	<u>7,545,916</u>	<u>56,637,647</u>
Employee benefits and payroll taxes		7,786,266	2,235,199	10,021,465	1,535,909	11,557,374
Professional fees		1,053,614	234,430	1,288,044	640,895	1,928,939
Management fees		5,125,727	839,542	5,965,269	8,584,172	14,549,441
Consultants - education		54,012	253,732	307,744	-	307,744
Legal fees		-	-	-	45,795	45,795
Curriculum and classroom supplies		2,051,120	336,500	2,387,620	-	2,387,620
Office supplies		-	-	-	309,355	309,355
Non-capitalized furniture and equipment		137,418	44,573	181,991	29,591	211,582
Leased equipment, furniture and fixtures		676,997	195,222	872,219	132,518	1,004,737
Communications		923,133	298,704	1,221,837	185,230	1,407,067
Occupancy		14,987,948	5,421,567	20,409,515	3,104,432	23,513,947
Insurance		350,170	97,607	447,777	64,573	512,350
Repairs and maintenance		692,616	157,550	850,166	144,298	994,464
Security		13,002	3,211	16,213	2,628	18,841
Marketing and recruiting		145,503	45,061	190,564	28,494	219,058
Staff development		601,777	147,382	749,159	61,500	810,659
Travel and meals		1,524,933	272,280	1,797,213	38,209	1,835,422
Postage, printing and copying		79,712	23,836	103,548	15,375	118,923
Dues and subscriptions		256,326	74,561	330,887	50,372	381,259
Depreciation and amortization		1,454,966	401,826	1,856,792	294,672	2,151,464
Interest		16,838	2,907	19,745	3,616	23,361
Miscellaneous		-	-	-	52,920	52,920
Total Expenses		<u>\$ 76,139,561</u>	<u>\$ 21,969,938</u>	<u>\$ 98,109,499</u>	<u>\$ 22,870,470</u>	<u>\$ 120,979,969</u>

See notes to financial statements

## Ascend Charter Schools

### Statement of Functional Expenses Year Ended June 30, 2019

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	141	\$ 5,417,819	\$ 1,852,347	\$ 7,270,166	\$ 5,063,270	\$ 12,333,436
Instructional personnel	475	25,503,994	8,500,513	34,004,507	-	34,004,507
Non-instructional personnel	33	-	-	-	1,166,954	1,166,954
Total Salaries and Staff	<u>649</u>	<u>30,921,813</u>	<u>10,352,860</u>	<u>41,274,673</u>	<u>6,230,224</u>	<u>47,504,897</u>
Employee benefits and payroll taxes		6,277,917	2,101,486	8,379,403	1,270,710	9,650,113
Professional fees		1,198,532	337,993	1,536,525	721,866	2,258,391
Management fees		4,101,429	669,764	4,771,193	7,462,634	12,233,827
Consultants - education		91,722	245,755	337,477	-	337,477
Legal fees		-	-	-	93,604	93,604
Curriculum and classroom supplies		1,956,938	315,487	2,272,425	-	2,272,425
Office supplies		-	-	-	400,748	400,748
Non-capitalized furniture and equipment		187,843	60,550	248,393	36,567	284,960
Leased equipment, furniture and fixtures		844,621	282,482	1,127,103	167,893	1,294,996
Communications		667,177	224,148	891,325	132,214	1,023,539
Occupancy		12,425,798	4,173,403	16,599,201	2,485,912	19,085,113
Insurance		281,274	91,659	372,933	53,551	426,484
Repairs and maintenance		736,351	243,410	979,761	151,741	1,131,502
Security		91,059	27,425	118,484	16,531	135,015
Marketing and recruiting		266,637	74,204	340,841	39,726	380,567
Staff development		684,152	143,421	827,573	43,831	871,404
Travel and meals		2,030,591	358,971	2,389,562	42,483	2,432,045
Postage, printing and copying		97,981	29,192	127,173	18,105	145,278
Dues and subscriptions		238,300	79,412	317,712	47,776	365,488
Depreciation and amortization		1,069,144	354,202	1,423,346	216,818	1,640,164
Interest		104	33	137	18	155
Miscellaneous		-	-	-	173,697	173,697
<b>Total Expenses</b>		<u>\$ 64,169,383</u>	<u>\$ 20,165,857</u>	<u>\$ 84,335,240</u>	<u>\$ 19,806,649</u>	<u>\$ 104,141,889</u>

See notes to financial statements



**Ascend Charter Schools**

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (3,668,833)	\$ (484,727)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,151,464	1,640,164
Deferred rent	4,707,415	3,490,995
Write off of grants and contracts receivable	507,116	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(2,257,986)	2,770,989
Prepaid expenses	(676,754)	(10,606)
Security deposits	(5,709)	(3,250)
Accounts payable and accrued expenses	(965,501)	91,663
Accrued payroll and payroll taxes	1,859,633	627,173
Refundable advances	91,042	3,455
Due to related party	1,111,156	(1,625,513)
Net Cash from Operating Activities	2,853,043	6,500,343
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of property and equipment	(4,595,117)	(2,850,005)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	2,292,597	-
Payments of loan payable - related party	-	(400,000)
Net Cash from Financing Activities	2,292,597	(400,000)
 Net Change in Cash and Restricted Cash	550,523	3,250,338
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	12,785,500	9,535,162
End of year	\$ 13,336,023	\$ 12,785,500
The following table provides a reconciliation of cash and restricted cash within the statements of financial position:		
Cash	\$ 13,010,845	\$ 12,535,301
Restricted cash	325,178	250,199
	\$ 13,336,023	\$ 12,785,500
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 23,361	\$ 155

## Ascend Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 1. Organization and Tax Status

Ascend Charter Schools (collectively the “School”) is a New York State, not-for-profit educational corporation that was incorporated to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School’s mission is to equip their students with the knowledge, confidence and character to succeed in college and beyond.

The accompanying financial statements include the following charter schools collectively forming the School:

Brooklyn Ascend Charter School (“Brooklyn Ascend”) – Brooklyn Ascend was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Brooklyn Ascend obtained a renewal to its charter expiring on June 30, 2023.

Brownsville Ascend Charter School (“Brownsville Ascend”) – Brownsville Ascend was granted a provisional charter on January 13, 2009 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Brownsville Ascend obtained a renewal to its charter expiring on June 30, 2022.

Bushwick Ascend Charter School (“Bushwick Ascend”) – Bushwick Ascend was granted a provisional charter on February 9, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Bushwick Ascend obtained a renewal to its charter expiring on June 30, 2023.

Canarsie Ascend Charter School (“Canarsie Ascend”) – Canarsie Ascend was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Canarsie Ascend obtained a renewal to its charter expiring on July 31, 2023.

Central Brooklyn Ascend Charter School (“Central Brooklyn Ascend”) – Central Brooklyn Ascend was granted a provisional charter on January 1, 2013 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Central Brooklyn Ascend obtained a renewal to its charter expiring on July 31, 2024.

Cypress Hills Ascend Charter School (“Cypress Hills Ascend”) – Cypress Hills Ascend was granted a provisional charter on July 19, 2017 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. This charter will expire on July 31, 2023.

East Brooklyn Ascend Charter School (“East Brooklyn Ascend”) – East Brooklyn Ascend was granted a provisional charter on July 19, 2017 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. This charter will expire on July 31, 2023.

## **Ascend Charter Schools**

Notes to Financial Statements  
June 30, 2020 and 2019

### **1. Organization and Tax Status (*continued*)**

East Flatbush Ascend Charter School (“East Flatbush Ascend”) – East Flatbush Ascend was granted a provisional charter on October 19, 2018 valid for terms of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. This charter will expire on October 31, 2024.

Lefferts Gardens Ascend Charter School (“Lefferts Gardens Ascend”) – Lefferts Gardens Ascend was granted a provisional charter on October 19, 2018 valid for terms of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. This charter will expire on October 31, 2024.

On March 8, 2019, the School was granted a provisional charter to operate Brooklyn Ascend Charter School 6, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Classes are scheduled to commence in September 2021.

The School provided education to approximately 5,425 students in kindergarten through twelfth grades during the 2019-2020 academic year.

The School uses two outside vendors to serve breakfast and lunch to its students through Brownsville Ascend, who files for reimbursement of expenses through the New York State and Federal school food program. The School covers the cost of breakfast and lunch for families who experience hardship and who do not qualify for free or reduced meals. The Office of Pupil Transportation provides free transportation to some of the students.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

## Ascend Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

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

#### ***Adoption of New Accounting Policies***

##### *Recognition of Contributions*

Effective July 1, 2019, the School adopted Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

##### *Restricted Cash*

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash flows. On July 1, 2019, the School adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the School to 1) include restricted cash and restricted cash equivalents in the cash and cash equivalent balances on the statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statements of financial position, 3) eliminate the presentation of transfers between restricted cash and cash, and 4) include disclosures about the nature of the restrictions for material balances. Adoption of the ASU resulted in a change in the accounting for restricted cash on the statements of cash flows.

##### ***Net Assets Presentation***

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

*Net assets without donor restrictions* - consist of resources available for the general support of the School’s operations. Net assets without donor restrictions may be used at the discretion of the School’s management and/or the Board of Trustees.

*Net assets with donor restrictions* – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2020 and 2019.

## Ascend Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

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

#### ***Restricted Cash***

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

#### ***Property and Equipment***

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$2,500 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

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

Computers and technology	3 years
Equipment	3 and 5 years
Furniture and fixtures	5 and 7 years
Software	3 years
Website development	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount of the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2020 and 2019.

#### ***Refundable Advances***

The School records certain government grants and contracts as refundable advances until the related services are performed, at which time it is recognized as revenue.

#### ***Deferred Rent***

The School records its rent in accordance with U.S. GAAP whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statements of financial position.

## **Ascend Charter Schools**

Notes to Financial Statements  
June 30, 2020 and 2019

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

#### ***Revenue and Support***

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 other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

#### ***Marketing and Recruiting***

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Marketing and recruiting expense for the years ended June 30, 2020 and 2019 was \$219,058 and \$380,567.

#### ***Functional Expense Allocation***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

#### ***Accounting for Uncertainty in Income Taxes***

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2017.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 26, 2020.

### **3. Grants and Contracts Receivable**

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

## Ascend Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 4. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of Ascend Learning, Inc. (“Ascend”), a New York State not-for-profit corporation, by common management. The School entered into a one year agreement with Ascend on July 1, 2019 which calls for Ascend to design, select and implement the School’s educational program as well as the professional development activities for all the School personnel; recruit, supervise and evaluate the School’s director; propose employment policies and practices relating to School personnel; and manage the School’s business administration. For the year ended June 30, 2020, each charter school paid Ascend an annual fee of 13.25% of the School’s per pupil operating revenue, per pupil facilities revenue and federal Individuals with Disabilities Education Act revenue. For the year ended June 30, 2019, each charter school paid Ascend an annual fee ranging from 12% to 15% of the School’s per pupil operating revenue, per pupil facilities revenue and federal Individuals with Disabilities Education Act revenue. The management fee for the years ended June 30, 2020 and 2019 amounted to \$14,549,441 and \$12,233,827.

The School entered into a sublease agreement with Ascend on July 1, 2011. There are two amendments to the agreement. The terms of the agreement permit Ascend to use the 6th floor of one of the buildings that the School occupies. Ascend increased use of the floor over the term of the lease, and rent increased accordingly. Rental income amounted to \$135,000 for the years ended June 30, 2020 and 2019.

On September 30, 2013, the School received an interest-free loan of \$400,000 from Ascend. The proceeds were used to finance the School’s operations. The outstanding principal balance of the loan was paid in full as of June 30, 2019.

The School is an affiliate of Friends of Ascend Charter Schools, Inc. (“FOA”), a New York State not-for-profit corporation, by common management. FOA’s purpose is to support the operation of the School by managing the School’s real estate and facilities-related needs, and by raising funds and resources that will enable FOA to provide support to the School and to enhance the experience of the School’s students. The School entered into sublease agreements with FOA for classroom facilities (Note 10).

For operational efficiency and purchasing power, the School shares certain operating expenses with Ascend and FOA. The net balance due from/(to) the related parties consisted of the following at June 30:

	2020	2019
Ascend	\$ (2,897,412)	\$ (1,490,766)
FOA	162,199	(133,291)
	<u>\$ (2,735,213)</u>	<u>\$ (1,624,057)</u>

## Ascend Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 5. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Computers and technology	\$ 3,823,582	\$ 2,957,702
Equipment	1,114,493	1,051,676
Furniture and fixtures	4,086,623	3,002,363
Software	82,607	55,314
Website development	143,277	143,277
Leasehold improvements	12,490,686	9,442,407
Construction in progress	98,883	592,295
	<u>21,840,151</u>	<u>17,245,034</u>
Accumulated depreciation and amortization	<u>(10,064,568)</u>	<u>(7,913,104)</u>
	<u>\$ 11,775,583</u>	<u>\$ 9,331,930</u>

Construction-in-progress at June 30, 2020 and 2019 is comprised of costs related to the Pitkin Avenue facility.

### 6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 13,010,845	\$ 12,535,301
Grants and contracts receivable	<u>2,993,848</u>	<u>1,242,978</u>
	<u>\$ 16,004,693</u>	<u>\$ 13,778,279</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts and other liquid instruments until it is required for operational use.

### 7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match employee contributions ranging from 1% to 5% of annual compensation. Total employer match for the years ended June 30, 2020 and 2019 was \$499,391 and \$378,080.



## **Ascend Charter Schools**

Notes to Financial Statements  
June 30, 2020 and 2019

### **8. Concentration of Credit Risk**

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (“FDIC”) limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2020 and 2019, approximately \$13,100,000 and \$12,535,000 of cash was maintained with an institution in excess of FDIC limits.

### **9. Concentration of Revenue and Support**

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2020 and 2019, the School received approximately 94% and 93% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School’s finances could be materially adversely affected.

### **10. Commitments**

#### **School Facilities**

##### Brooklyn Ascend

On March 19, 2008, Brooklyn Ascend entered into an agreement to lease property at 205 Rockaway Parkway, Brooklyn, New York for a period of 15 years. The landlord has renovated the facility to conform to the School’s specifications in phases. As of June 30, 2020, Brooklyn Ascend has reimbursed the landlord a total of \$3,213,350 for these renovations which are classified as leasehold improvements under property and equipment in the statements of financial position. Pursuant to the fourth lease amendment, annual fixed rent will be reduced for years 8 through 15 due to deletion of certain projects. On July 28, 2016, Brooklyn Ascend signed a fifth amendment to renew the lease for 10 years. The renewal period commences on September 1, 2023.

On January 19, 2011, Brooklyn Ascend entered into an agreement to lease property at 123 East 98<sup>th</sup> Street, Brooklyn, New York for a period of 20 years. This location became the home of Brooklyn Ascend Middle School starting with the 2012-2013 academic year.

On July 2, 2012, Brooklyn Ascend entered into an agreement as a co-lessee with Brownsville Ascend to become a future tenant located at 1501 Pitkin Avenue, Brooklyn, New York. The occupancy period for the School is 17 years of the 20 year lease agreement. The facility became the home of Brooklyn Ascend High School, which began with the 2015-2016 academic year. The space is shared with Brownsville Ascend.

## Ascend Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 10. Commitments *(continued)*

#### School Facilities *(continued)*

##### Brooklyn Ascend *(continued)*

Pursuant to each facility lease agreement, the School will also reimburse the landlords for the proportionate share of the real estate taxes and any other costs associated with the leasing of the premises.

##### Brownsville Ascend

On June 22, 2010, Brownsville Ascend entered into an agreement to lease property at 1501 Pitkin Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 20 years, renewable for up to 20 additional years. The construction of the facility will be completed in phases. There are seven amendments to the agreement as well as an additional letter agreement related to roof play space. Effective as of the fourth amendment, Brooklyn Ascend entered into the agreement as a co-lessee, and effective as of the 2015-2016 academic year, Brooklyn Ascend High School became a co-tenant of the building. Both schools will reimburse the landlord for their share of real estate taxes. Brownsville Ascend moved into the new permanent lease facility on August 20, 2012.

##### Bushwick Ascend

On July 29, 2011, the School entered into an agreement to lease property at 741-757 Knickerbocker Avenue, Brooklyn, New York for a period of 20 years, with a renewal option for an additional ten years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. As part of the agreement, the School has the right to mortgage its interest in the lease under a leasehold mortgage and assign the lease as collateral security for such leasehold mortgage. The facility is currently tax exempt, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

On March 30, 2015, the School entered into an agreement to lease property at 2 Aberdeen Street, Brooklyn, New York. As per the terms of the agreement, the lease is for a period of 30 years, commencing on June 1, 2015 and ending on June 30, 2045. This location became the home of Bushwick Ascend Middle School starting with the 2015-2016 academic year. The facility is currently tax exempt, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

On May 18, 2018, the two Bushwick Ascend leases were transferred to FOA and a new sublease agreement between FOA (sublandlord) and the School (subtenant) was entered into for a period of 28 years ending on June 30, 2045.

##### Canarsie Ascend

On April 1, 2013, Canarsie Ascend entered into an agreement to lease property at 9719 Flatlands Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 20 years, renewable for up to 10 additional years.

## Ascend Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 10. Commitments *(continued)*

#### School Facilities *(continued)*

##### Canarsie Ascend *(continued)*

The facility is currently tax exempt, but Canarsie Ascend will be responsible for any real estate taxes arising out of the School's occupancy.

On August 30, 2017, Canarsie Ascend entered into an agreement to lease property at 744 East 87<sup>th</sup> Street and 751 East 86<sup>th</sup> Street in Brooklyn, New York for a period of 30 years, commencing on June 15, 2017 and ending June 30, 2047. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy. On September 12, 2017, the lease agreement was transferred to FOA and a new sublease agreement between FOA (sublandlord) and the School (subtenant) was executed for a period of 30 years ending on June 30, 2047.

##### Central Brooklyn Ascend

On November 3, 2014, the School entered into an agreement to lease property at 465 East 29<sup>th</sup> Street, Brooklyn, New York. As per the terms of the agreement, the lease is for 30 years, commencing on June 1, 2015 and ending on June 30, 2045. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy. On September 12, 2017, the lease agreement was transferred to FOA and a new sublease agreement between FOA (sublandlord) and the School (subtenant) was executed for a period of 28 years ending on June 30, 2045.

On September 12, 2017, the School entered into an agreement with FOA to sublease property at 1886 Nostrand Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 28 years, commencing on August 15, 2017 and ending on June 30, 2045. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

##### Cypress Hills Ascend

On February 22, 2018, the School entered into an agreement with FOA to sublease property at 396 Grant Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 30 years, commencing on February 1, 2018 and ending on June 30, 2048. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

##### East Brooklyn Ascend

On December 4, 2018, the School entered into an agreement with FOA to sublease property at 260 Shepherd Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 29 years, commencing on July 1, 2019 and ending on June 30, 2048. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

## Ascend Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 10. Commitments (continued)

#### School Facilities (continued)

##### East Flatbush Ascend

On March 11, 2019, the School entered into an agreement with FOA to sublease property at 870 Albany Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 29 years, commencing on July 1, 2019 and ending on June 30, 2048. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

##### Lefferts Gardens Ascend

On April 1, 2020, the School entered into an agreement with FOA to sublease property at 123 Linden Boulevard, Brooklyn, New York. As per the terms of the agreement, the lease is for 19 years, commencing on July 1, 2020 and ending on June 30, 2039. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

Future minimum lease payments under the facility leases (including the subleases with FOA) are as follows for the years ending June 30:

2021	\$ 19,599,443
2022	21,243,289
2023	22,201,821
2024	22,726,540
2025	22,999,942
Thereafter	<u>414,971,938</u>
	<u>\$ 523,742,973</u>

Rent expense is recognized on the straight-line basis over the term of the lease. The difference between cash payments under the lease agreements and the straight-line rent have been recognized as deferred rent in the accompanying statements of financial position from inception of the lease. The difference between rent cash payments and straight-line rent included in occupancy expense in the accompanying statements of functional expenses amounted to \$4,707,415 and \$3,490,995 for the years ended June 30, 2020 and 2019.

Occupancy expense for the years ended June 30, 2020 and 2019 was \$23,513,947 and \$19,085,113.

## Ascend Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 10. Commitments (*continued*)

#### Leased Equipment

The School entered into an equipment lease agreement expiring during the year ending June 30, 2021. Future minimum rental payments under the equipment leases for the year ending June 30, 2021 totaled \$215,934.

Equipment lease expense for the years ended June 30, 2020 and 2019 was \$1,004,737 and \$1,294,996.

### 11. Loan Payable

On October 17, 2019, the School entered into a \$2,500,000 loan agreement with Nonprofit Finance Fund (“NFF”) for the purpose of financing the cost of renovations and improvements to the building leased by the School at 1501 Pitkin Avenue, Brooklyn, NY. The loan matures on November 1, 2026, at which time the School can either pay the outstanding balance on the loan in full or refinance. The loan is payable on a monthly basis in the amount of \$21,872 commencing on July 1, 2020 and the loan bears interest at 6.25% per annum. The loan is guaranteed by the School and secured on the leasehold interests of the School in the building. In addition, the School has granted a security interest in all of its other assets to secure the loan. Loan payments will be due on the first day of each succeeding month thereafter, until all amounts due under the loans are paid in full. The loan is a commitment that cannot be assigned without prior written approval from NFF. The School must maintain five financial performance covenant all of which were assessed starting with the fiscal year ending June 30, 2020. For the year ended June 30, 2020 the School is in compliance with all financial covenants.

Future minimum principal payments on the loan are as follows for years ended June 30:

2021	\$	120,742
2022		128,508
2023		136,774
2024		145,572
2025		154,935
Thereafter		<u>1,606,066</u>
	\$	<u>2,292,597</u>

### 12. Contingency

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

## **Ascend Charter Schools**

Notes to Financial Statements  
June 30, 2020 and 2019

### **13. Risks and Uncertainties**

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

\* \* \* \* \*

# **Ascend Charter Schools**

Supplementary Information

June 30, 2020

**Ascend Charter Schools**

Schedule of Activities by School  
Year Ended June 30, 2020

	Brooklyn Ascend	Brownsville Ascend	Bushwick Ascend	Canarsie Ascend	Central Brooklyn Ascend	Cypress Hills Ascend	East Brooklyn Ascend	East Flatbush Ascend	Lefferts Gardens Ascend	Total
<b>OPERATING REVENUE</b>										
State and local per pupil operating revenue										
General and special education	\$ 28,603,544	\$ 19,483,990	\$ 16,426,473	\$ 16,375,552	\$ 10,704,285	\$ 3,906,883	\$ 459,714	\$ 1,376,747	\$ 896,330	\$ 98,233,518
Facilities	2,429,855	1,676,362	1,220,295	2,655,837	2,347,444	1,034,149	117,176	374,969	200,464	12,056,551
Federal grants	926,116	1,059,315	648,255	1,117,800	667,708	309,500	118,669	271,929	230,282	5,349,574
Federal E-Rate and IDEA	377,751	210,820	283,540	268,791	245,602	62,245	24,955	58,048	10,977	1,542,729
State and city grants	128,165	90,680	72,169	81,797	50,690	19,586	4,438	8,021	9,565	465,111
Total Operating Revenue	<u>32,465,431</u>	<u>22,521,167</u>	<u>18,650,732</u>	<u>20,499,777</u>	<u>14,015,729</u>	<u>5,332,363</u>	<u>724,952</u>	<u>2,089,714</u>	<u>1,347,618</u>	<u>117,647,483</u>
<b>EXPENSES</b>										
Program Services										
Regular education	20,907,962	14,854,094	11,743,750	12,281,502	8,298,861	3,474,464	1,104,005	1,673,898	1,801,025	76,139,561
Special education	5,268,299	2,172,679	3,115,705	4,087,696	3,591,842	1,386,327	1,270,546	804,449	272,395	21,969,938
Total Program Services	26,176,261	17,026,773	14,859,455	16,369,198	11,890,703	4,860,791	2,374,551	2,478,347	2,073,420	98,109,499
Supporting Services										
Management and general	6,315,857	4,679,921	3,202,043	3,575,973	2,672,176	974,823	414,104	679,900	355,673	22,870,470
Total Expenses	<u>32,492,118</u>	<u>21,706,694</u>	<u>18,061,498</u>	<u>19,945,171</u>	<u>14,562,879</u>	<u>5,835,614</u>	<u>2,788,655</u>	<u>3,158,247</u>	<u>2,429,093</u>	<u>120,979,969</u>
Surplus (Deficit) from Operations	(26,687)	814,473	589,234	554,606	(547,150)	(503,251)	(2,063,703)	(1,068,533)	(1,081,475)	(3,332,486)
<b>SUPPORT AND OTHER REVENUE</b>										
Contributions	1,235	8,524	3,310	-	2,540	-	-	500	-	16,109
Rental income	135,000	-	-	-	-	-	-	-	-	135,000
Interest and other revenue	4,353	2,105	1,654	9,532	1,242	344	86	172	172	19,660
Total Support and Other Revenue	140,588	10,629	4,964	9,532	3,782	344	86	672	172	170,769
Write off of grants and contracts receivable	-	-	(7,116)	-	(500,000)	-	-	-	-	(507,116)
Change in Net Assets	113,901	825,102	587,082	564,138	(1,043,368)	(502,907)	(2,063,617)	(1,067,861)	(1,081,303)	(3,668,833)
<b>NET ASSETS (DEFICIT)</b>										
Beginning of year	(2,558,026)	3,062,676	531,260	(1,439,410)	350,276	(1,344,914)	-	-	-	(1,398,138)
End of year	\$ (2,444,125)	\$ 3,887,778	\$ 1,118,342	\$ (875,272)	\$ (693,092)	\$ (1,847,821)	\$ (2,063,617)	\$ (1,067,861)	\$ (1,081,303)	\$ (5,066,971)



**Ascend Charter Schools**

Schedule of Functional Expenses  
Brooklyn Ascend Charter School  
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	39	\$ 1,868,708	\$ 494,713	\$ 2,363,421	\$ 1,745,462	\$ 4,108,883
Instructional personnel	154	9,268,007	2,453,570	11,721,577	-	11,721,577
Non-instructional personnel	16	-	-	-	477,885	477,885
<b>Total Salaries and Staff</b>	<b>209</b>	<b>11,136,715</b>	<b>2,948,283</b>	<b>14,084,998</b>	<b>2,223,347</b>	<b>16,308,345</b>
Employee benefits and payroll taxes		2,298,808	608,577	2,907,385	458,937	3,366,322
Professional fees		463,429	115,270	578,699	191,552	770,251
Management fees		1,467,814	210,102	1,677,916	2,414,564	4,092,480
Consultants - education		8,310	35,878	44,188	-	44,188
Legal fees		-	-	-	17,417	17,417
Curriculum and classroom supplies		626,111	89,622	715,733	-	715,733
Office supplies		-	-	-	94,111	94,111
Non-capitalized furniture and equipment		30,191	7,993	38,184	6,026	44,210
Leased equipment, furniture and fixtures		194,201	51,414	245,615	38,768	284,383
Communications		226,134	59,866	286,000	45,144	331,144
Occupancy		3,083,426	816,292	3,899,718	615,578	4,515,296
Insurance		102,902	26,433	129,335	19,215	148,550
Repairs and maintenance		301,476	79,811	381,287	60,188	441,475
Security		9,469	2,508	11,977	1,890	13,867
Marketing and recruiting		48,278	12,493	60,771	9,166	69,937
Staff development		136,273	25,643	161,916	2,049	163,965
Travel and meals		282,332	47,839	330,171	12,195	342,366
Postage, printing and copying		13,564	3,591	17,155	2,707	19,862
Dues and subscriptions		75,685	20,037	95,722	15,111	110,833
Depreciation and amortization		399,161	105,672	504,833	79,689	584,522
Interest		3,683	975	4,658	735	5,393
Miscellaneous		-	-	-	7,468	7,468
<b>Total Expenses</b>		<b>\$ 20,907,962</b>	<b>\$ 5,268,299</b>	<b>\$ 26,176,261</b>	<b>\$ 6,315,857</b>	<b>\$ 32,492,118</b>

See independent auditors' report

**Ascend Charter Schools**

Schedule of Functional Expenses  
Brownsville Ascend Charter School  
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	24	\$ 1,200,502	\$ 166,764	\$ 1,367,266	\$ 1,281,982	\$ 2,649,248
Instructional personnel	100	6,857,758	952,626	7,810,384	-	7,810,384
Non-instructional personnel	<u>10</u>	-	-	-	<u>492,337</u>	<u>492,337</u>
Total Salaries and Staff	<u><u>134</u></u>	<u>8,058,260</u>	<u>1,119,390</u>	<u>9,177,650</u>	<u>1,774,319</u>	<u>10,951,969</u>
Employee benefits and payroll taxes		1,559,257	216,600	1,775,857	343,327	2,119,184
Professional fees		323,351	45,275	368,626	146,921	515,547
Management fees		959,801	185,816	1,145,617	1,648,572	2,794,189
Consultants - education		17,343	12,286	29,629	-	29,629
Legal fees		-	-	-	1,893	1,893
Curriculum and classroom supplies		345,498	66,888	412,386	-	412,386
Office supplies		-	-	-	57,231	57,231
Non-capitalized furniture and equipment		31,377	4,359	35,736	6,909	42,645
Leased equipment, furniture and fixtures		129,348	17,968	147,316	28,481	175,797
Communications		125,639	17,453	143,092	27,664	170,756
Occupancy		1,946,713	270,422	2,217,135	428,640	2,645,775
Insurance		72,113	10,245	82,358	14,960	97,318
Repairs and maintenance		294,005	40,841	334,846	64,736	399,582
Security		2,494	346	2,840	549	3,389
Marketing and recruiting		18,877	2,622	21,499	4,156	25,655
Staff development		96,610	22,647	119,257	6,151	125,408
Travel and meals		367,532	69,249	436,781	7,671	444,452
Postage, printing and copying		15,637	2,172	17,809	3,443	21,252
Dues and subscriptions		47,843	6,646	54,489	10,534	65,023
Depreciation and amortization		429,709	59,692	489,401	94,616	584,017
Interest		12,687	1,762	14,449	2,794	17,243
Miscellaneous		-	-	-	6,354	6,354
Total Expenses		<u>\$ 14,854,094</u>	<u>\$ 2,172,679</u>	<u>\$ 17,026,773</u>	<u>\$ 4,679,921</u>	<u>\$ 21,706,694</u>

See independent auditors' report

**Ascend Charter Schools**

Schedule of Functional Expenses  
 Bushwick Ascend Charter School  
 Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	21	\$ 992,141	\$ 264,246	\$ 1,256,387	\$ 934,750	\$ 2,191,137
Instructional personnel	96	5,474,489	1,458,072	6,932,561	-	6,932,561
Non-instructional personnel	4	-	-	-	99,250	99,250
Total Salaries and Staff	<u>121</u>	6,466,630	1,722,318	8,188,948	1,034,000	9,222,948
Employee benefits and payroll taxes		1,391,868	370,709	1,762,577	222,557	1,985,134
Professional fees		32,648	6,582	39,230	81,368	120,598
Management fees		794,806	160,246	955,052	1,374,344	2,329,396
Consultants - education		6,907	66,993	73,900	-	73,900
Legal fees		-	-	-	5,129	5,129
Curriculum and classroom supplies		252,647	50,938	303,585	-	303,585
Office supplies		-	-	-	51,203	51,203
Non-capitalized furniture and equipment		18,499	4,927	23,426	2,958	26,384
Leased equipment, furniture and fixtures		132,077	35,177	167,254	21,119	188,373
Communications		171,063	45,561	216,624	27,353	243,977
Occupancy		1,931,519	514,440	2,445,959	308,846	2,754,805
Insurance		58,045	15,233	73,278	8,723	82,001
Repairs and maintenance		1,742	464	2,206	279	2,485
Security		404	108	512	65	577
Marketing and recruiting		26,535	7,067	33,602	4,243	37,845
Staff development		92,204	23,248	115,452	1,504	116,956
Travel and meals		118,623	25,766	144,389	4,570	148,959
Postage, printing and copying		5,928	1,579	7,507	948	8,455
Dues and subscriptions		41,082	10,942	52,024	6,569	58,593
Depreciation and amortization		200,478	53,395	253,873	32,056	285,929
Interest		45	12	57	7	64
Miscellaneous		-	-	-	14,202	14,202
Total Expenses		<u>\$ 11,743,750</u>	<u>\$ 3,115,705</u>	<u>\$ 14,859,455</u>	<u>\$ 3,202,043</u>	<u>\$ 18,061,498</u>

See independent auditors' report

**Ascend Charter Schools**

Schedule of Functional Expenses  
Canarsie Ascend Charter School  
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	22	\$ 890,647	\$ 321,863	\$ 1,212,510	\$ 844,464	\$ 2,056,974
Instructional personnel	86	4,705,892	1,700,618	6,406,510	-	6,406,510
Non-instructional personnel	7	-	-	-	183,679	183,679
Total Salaries and Staff	<u>115</u>	<u>5,596,539</u>	<u>2,022,481</u>	<u>7,619,020</u>	<u>1,028,143</u>	<u>8,647,163</u>
Employee benefits and payroll taxes		1,166,580	421,579	1,588,159	214,313	1,802,472
Professional fees		197,087	59,624	256,711	108,758	365,469
Management fees		921,960	105,929	1,027,889	1,479,157	2,507,046
Consultants - education		-	70,140	70,140	-	70,140
Legal fees		-	-	-	650	650
Curriculum and classroom supplies		342,775	39,383	382,158	-	382,158
Office supplies		-	-	-	45,336	45,336
Non-capitalized furniture and equipment		19,763	7,142	26,905	3,631	30,536
Leased equipment, furniture and fixtures		115,694	41,809	157,503	21,254	178,757
Communications		150,877	54,524	205,401	27,718	233,119
Occupancy		2,794,321	1,009,813	3,804,134	513,346	4,317,480
Insurance		57,478	19,777	77,255	9,818	87,073
Repairs and maintenance		80,106	28,949	109,055	14,716	123,771
Security		396	143	539	73	612
Marketing and recruiting		24,470	8,843	33,313	4,495	37,808
Staff development		154,457	46,108	200,565	45,105	245,670
Travel and meals		385,515	52,620	438,135	6,206	444,341
Postage, printing and copying		38,315	13,846	52,161	7,039	59,200
Dues and subscriptions		48,829	17,646	66,475	8,970	75,445
Depreciation and amortization		185,977	67,209	253,186	34,166	287,352
Interest		363	131	494	67	561
Miscellaneous		-	-	-	3,012	3,012
Total Expenses		<u>\$ 12,281,502</u>	<u>\$ 4,087,696</u>	<u>\$ 16,369,198</u>	<u>\$ 3,575,973</u>	<u>\$ 19,945,171</u>

See independent auditors' report

**Ascend Charter Schools**

Schedule of Functional Expenses  
Central Brooklyn Ascend Charter School  
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	19	\$ 708,442	\$ 329,163	\$ 1,037,605	\$ 639,258	\$ 1,676,863
Instructional personnel	58	2,893,289	1,344,308	4,237,597	-	4,237,597
Non-instructional personnel	4	-	-	-	129,283	129,283
Total Salaries and Staff	<u>81</u>	<u>3,601,731</u>	<u>1,673,471</u>	<u>5,275,202</u>	<u>768,541</u>	<u>6,043,743</u>
Employee benefits and payroll taxes		728,121	338,306	1,066,427	155,367	1,221,794
Professional fees		27,768	5,310	33,078	61,377	94,455
Management fees		597,045	108,591	705,636	1,015,426	1,721,062
Consultants - education		20,053	42,100	62,153	-	62,153
Legal fees		-	-	-	20,393	20,393
Curriculum and classroom supplies		198,979	36,190	235,169	-	235,169
Office supplies		-	-	-	24,787	24,787
Non-capitalized furniture and equipment		18,490	8,591	27,081	3,945	31,026
Leased equipment, furniture and fixtures		82,733	38,440	121,173	17,654	138,827
Communications		150,753	70,044	220,797	32,168	252,965
Occupancy		2,450,924	1,138,772	3,589,696	522,981	4,112,677
Insurance		34,271	15,227	49,498	6,787	56,285
Repairs and maintenance		1,623	754	2,377	346	2,723
Security		64	30	94	14	108
Marketing and recruiting		11,991	5,343	17,334	2,387	19,721
Staff development		55,325	12,846	68,171	3,650	71,821
Travel and meals		199,873	42,482	242,355	4,625	246,980
Postage, printing and copying		2,359	1,096	3,455	503	3,958
Dues and subscriptions		21,708	10,086	31,794	4,632	36,426
Depreciation and amortization		95,012	44,145	139,157	20,274	159,431
Interest		38	18	56	8	64
Miscellaneous		-	-	-	6,311	6,311
Total Expenses		<u>\$ 8,298,861</u>	<u>\$ 3,591,842</u>	<u>\$ 11,890,703</u>	<u>\$ 2,672,176</u>	<u>\$ 14,562,879</u>

**Ascend Charter Schools**

Schedule of Functional Expenses  
Cypress Hills Ascend Charter School  
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	6	\$ 266,474	\$ 114,188	\$ 380,662	\$ 227,746	\$ 608,408
Instructional personnel	21	1,215,541	520,878	1,736,419	-	1,736,419
Non-instructional personnel	1	-	-	-	37,970	37,970
<b>Total Salaries and Staff</b>	<b>28</b>	<b>1,482,015</b>	<b>635,066</b>	<b>2,117,081</b>	<b>265,716</b>	<b>2,382,797</b>
Employee benefits and payroll taxes		304,354	130,420	434,774	54,569	489,343
Professional fees		5,722	1,028	6,750	20,108	26,858
Management fees		226,121	40,621	266,742	383,850	650,592
Consultants - education		1,399	6,648	8,047	-	8,047
Legal fees		-	-	-	150	150
Curriculum and classroom supplies		101,149	18,171	119,320	-	119,320
Office supplies		-	-	-	17,972	17,972
Non-capitalized furniture and equipment		2,886	1,237	4,123	517	4,640
Leased equipment, furniture and fixtures		12,871	5,515	18,386	2,308	20,694
Communications		45,304	19,413	64,717	8,123	72,840
Occupancy		1,073,401	459,968	1,533,369	192,454	1,725,823
Insurance		13,001	5,345	18,346	2,168	20,514
Repairs and maintenance		4,538	1,945	6,483	814	7,297
Security		90	38	128	16	144
Marketing and recruiting		2,434	1,043	3,477	436	3,913
Staff development		19,103	4,753	23,856	465	24,321
Travel and meals		96,802	19,432	116,234	1,471	117,705
Postage, printing and copying		2,123	910	3,033	381	3,414
Dues and subscriptions		10,067	4,314	14,381	1,805	16,186
Depreciation and amortization		71,074	30,456	101,530	12,743	114,273
Interest		10	4	14	2	16
Miscellaneous		-	-	-	8,755	8,755
<b>Total Expenses</b>		<b>\$ 3,474,464</b>	<b>\$ 1,386,327</b>	<b>\$ 4,860,791</b>	<b>\$ 974,823</b>	<b>\$ 5,835,614</b>

See independent auditors' report

**Ascend Charter Schools**

Schedule of Functional Expenses  
East Brooklyn Ascend Charter School  
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	2	\$ 62,031	\$ 74,680	\$ 136,711	\$ 87,855	\$ 224,566
Instructional personnel	6	189,552	228,204	417,756	-	417,756
Non-instructional personnel	-	-	-	-	-	-
<b>Total Salaries and Staff</b>	<b>8</b>	<b>251,583</b>	<b>302,884</b>	<b>554,467</b>	<b>87,855</b>	<b>642,322</b>
Employee benefits and payroll taxes		47,441	57,115	104,556	16,567	121,123
Professional fees		3,609	1,341	4,950	7,582	12,532
Management fees		22,896	8,509	31,405	45,194	76,599
Consultants - education		-	11,165	11,165	-	11,165
Curriculum and classroom supplies		39,620	14,725	54,345	-	54,345
Office supplies		-	-	-	4,859	4,859
Non-capitalized furniture and equipment		2,971	3,576	6,547	1,037	7,584
Leased equipment, furniture and fixtures		1,141	1,374	2,515	399	2,914
Communications		10,460	12,593	23,053	3,653	26,706
Occupancy		679,689	818,286	1,497,975	237,353	1,735,328
Insurance		2,095	2,363	4,458	665	5,123
Repairs and maintenance		1	1	2	-	2
Security		14	17	31	5	36
Marketing and recruiting		3,899	4,590	8,489	1,318	9,807
Staff development		8,435	3,759	12,194	191	12,385
Travel and meals		10,868	5,034	15,902	417	16,319
Postage, printing and copying		328	395	723	115	838
Dues and subscriptions		1,838	2,212	4,050	642	4,692
Depreciation and amortization		17,115	20,605	37,720	5,977	43,697
Interest		2	2	4	1	5
Miscellaneous		-	-	-	274	274
<b>Total Expenses</b>		<b>\$ 1,104,005</b>	<b>\$ 1,270,546</b>	<b>\$ 2,374,551</b>	<b>\$ 414,104</b>	<b>\$ 2,788,655</b>

**Ascend Charter Schools**

Schedule of Functional Expenses  
East Flatbush Ascend Charter School  
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	5	\$ 163,511	\$ 85,765	\$ 249,276	\$ 177,396	\$ 426,672
Instructional personnel	12	425,633	223,253	648,886	-	648,886
Non-instructional personnel	1	-	-	-	30,480	30,480
Total Salaries and Staff	<u>18</u>	<u>589,144</u>	<u>309,018</u>	<u>898,162</u>	<u>207,876</u>	<u>1,106,038</u>
Employee benefits and payroll taxes		130,274	68,331	198,605	45,966	244,571
Professional fees		-	-	-	12,852	12,852
Management fees		82,708	12,868	95,576	137,536	233,112
Consultants - education		-	206	206	-	206
Curriculum and classroom supplies		69,727	10,848	80,575	-	80,575
Office supplies		-	-	-	4,925	4,925
Non-capitalized furniture and equipment		12,718	6,671	19,389	4,488	23,877
Leased equipment, furniture and fixtures		5,854	3,071	8,925	2,066	10,991
Communications		34,269	17,975	52,244	12,092	64,336
Occupancy		641,576	336,519	978,095	226,376	1,204,471
Insurance		4,262	2,104	6,366	1,378	7,744
Repairs and maintenance		9,122	4,785	13,907	3,219	17,126
Security		29	15	44	10	54
Marketing and recruiting		4,587	2,406	6,993	1,618	8,611
Staff development		16,146	4,229	20,375	1,400	21,775
Travel and meals		37,234	6,391	43,625	572	44,197
Postage, printing and copying		84	44	128	30	158
Dues and subscriptions		3,474	1,822	5,296	1,226	6,522
Depreciation and amortization		32,686	17,144	49,830	11,533	61,363
Interest		4	2	6	1	7
Miscellaneous		-	-	-	4,736	4,736
Total Expenses		<u>\$ 1,673,898</u>	<u>\$ 804,449</u>	<u>\$ 2,478,347</u>	<u>\$ 679,900</u>	<u>\$ 3,158,247</u>

See independent auditors' report



**Ascend Charter Schools**

Schedule of Functional Expenses  
Lefferts Gardens Ascend Charter School  
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	4	\$ 308,852	\$ 45,607	\$ 354,459	\$ 154,950	\$ 509,409
Instructional personnel	7	716,014	105,730	821,744	-	821,744
Non-instructional personnel	-	-	-	-	1,169	1,169
<b>Total Salaries and Staff</b>	<b>11</b>	<b>1,024,866</b>	<b>151,337</b>	<b>1,176,203</b>	<b>156,119</b>	<b>1,332,322</b>
Employee benefits and payroll taxes		159,563	23,562	183,125	24,306	207,431
Professional fees		-	-	-	10,377	10,377
Management fees		52,576	6,860	59,436	85,529	144,965
Consultants - education		-	8,316	8,316	-	8,316
Legal fees		-	-	-	163	163
Curriculum and classroom supplies		74,614	9,735	84,349	-	84,349
Office supplies		-	-	-	8,931	8,931
Non-capitalized furniture and equipment		523	77	600	80	680
Leased equipment, furniture and fixtures		3,078	454	3,532	469	4,001
Communications		8,634	1,275	9,909	1,315	11,224
Occupancy		386,379	57,055	443,434	58,858	502,292
Insurance		6,003	880	6,883	859	7,742
Repairs and maintenance		3	-	3	-	3
Security		42	6	48	6	54
Marketing and recruiting		4,432	654	5,086	675	5,761
Staff development		23,224	4,149	27,373	985	28,358
Travel and meals		26,154	3,467	29,621	482	30,103
Postage, printing and copying		1,374	203	1,577	209	1,786
Dues and subscriptions		5,800	856	6,656	883	7,539
Depreciation and amortization		23,754	3,508	27,262	3,618	30,880
Interest		6	1	7	1	8
Miscellaneous		-	-	-	1,808	1,808
<b>Total Expenses</b>		<b>\$ 1,801,025</b>	<b>\$ 272,395</b>	<b>\$ 2,073,420</b>	<b>\$ 355,673</b>	<b>\$ 2,429,093</b>

See independent auditors' report

# **Ascend Charter Schools**

Uniform Guidance  
Schedules and Reports

June 30, 2020

**Ascend Charter Schools**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Education</u></b>				
Direct Program:				
Ascend Learning: Expansion and Replication of High-Quality Charter Schools in Brooklyn, NY	84.282M		\$ -	\$ 1,587,697
Pass-through the New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-20-4395	-	552,931
Title I Grants to Local Educational Agencies	84.010	0021-20-4585	-	380,598
Title I Grants to Local Educational Agencies	84.010	0021-20-4780	-	349,459
Title I Grants to Local Educational Agencies	84.010	0021-20-4965	-	314,804
Title I Grants to Local Educational Agencies	84.010	0021-20-5170	-	199,384
Title I Grants to Local Educational Agencies	84.010	0021-20-5430	-	90,726
Title I Grants to Local Educational Agencies	84.010	0021-20-5555	-	33,298
Title I Grants to Local Educational Agencies	84.010	0021-20-5570	-	35,241
			<u>-</u>	<u>1,956,441</u>
Improving Teacher Quality State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-20-4395	-	62,311
Improving Teacher Quality State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-20-4585	-	39,601
Improving Teacher Quality State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-20-4780	-	38,678
Improving Teacher Quality State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-20-4965	-	37,231
Improving Teacher Quality State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-20-5170	-	24,216
Improving Teacher Quality State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-20-5430	-	14,269
Improving Teacher Quality State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-20-5555	-	4,789
Improving Teacher Quality State Grants				
(Formerly Improving Teacher Quality State Grants)	84.367	0147-20-5570	-	2,954
			<u>-</u>	<u>224,049</u>
Student Support and Academic Enrichment Program				
Student Support and Academic Enrichment Program	84.424	0204-20-4395	-	36,370
Student Support and Academic Enrichment Program	84.424	0204-20-4585	-	28,676
Student Support and Academic Enrichment Program	84.424	0204-20-4780	-	24,674
Student Support and Academic Enrichment Program	84.424	0204-20-4965	-	17,699
Student Support and Academic Enrichment Program	84.424	0204-20-5170	-	11,645
Student Support and Academic Enrichment Program	84.424	0204-20-5430	-	10,000
			<u>-</u>	<u>129,064</u>
Total U.S. Department of Education			<u>-</u>	<u>3,897,251</u>
<b><u>U.S. Department of Agriculture</u></b>				
Pass-through the New York State Education Department:				
Child Nutrition Cluster				
School Breakfast Program	10.553	Not available	-	329,598
National School Lunch Program (Lunch)	10.555	Not available	-	973,608
National School Lunch Program (Snack)	10.555	Not available	-	149,117
Total U.S. Department of Agriculture			<u>-</u>	<u>1,452,323</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 5,349,574</u>

See independent auditors' report and notes to schedule of expenditures of federal awards

## **Ascend Charter Schools**

### Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

#### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Ascend Charter Schools (the "School") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

#### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented when available.

#### **3. Indirect Cost Rate**

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

**Independent Auditors' Report**

**Board of Trustees  
Ascend 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 Ascend Charter Schools (the "School"), which comprise the statement of financial position as of June 30, 2020, 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 26, 2020.

***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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

***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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 26, 2020



## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

### **Independent Auditors' Report**

**Board of Trustees  
Ascend Charter Schools**

#### **Report on Compliance for Each Major Federal Program**

We have audited Ascend Charter Schools' (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2020. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's 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* 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 the School's 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 the School's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School 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, 2020.

***Report on Internal Control Over Compliance***

Management of the School 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 the School's 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 an 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 the School's 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 have not been 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.

*PKF O'Connor Davies, LLP*



**Ascend Charter Schools**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020

**Section I - Summary of Auditors' Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. 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 the 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 auditors' 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 programs:

CFDA Number(s)  
10.553 and 10.555

Name of Federal Program or Cluster  
Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

X  yes \_\_\_ no

**Section II – Financial Statement Findings**

During our audit, we noted no material findings for the year ended June 30, 2020.

**Section III – Federal Award Findings and Questioned Costs**

During our audit, we noted no material instances of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

**Section IV – Prior Year Findings**

There were no prior year audit findings.