

**ELM COMMUNITY
CHARTER SCHOOL**

Audited Financial Statements In Accordance
With Government Auditing Standards

June 30, 2021

ELM COMMUNITY CHARTER SCHOOL

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Independent Auditor's Report

To the Board of Trustees of
Elm Community Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Elm Community Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

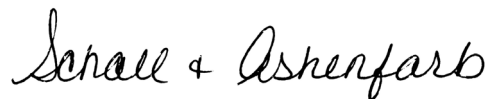
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elm Community Charter School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021 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.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 21, 2021

**ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021**

(With comparative totals as of June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Assets		
Cash and cash equivalents	\$1,739,332	\$790,909
Government grants receivable - per pupil (Note 3)	10,828	0
Government grants receivable - other	119,602	90,088
Prepaid expenses and other assets	0	8,854
Security deposit	483,500	600,166
Fixed assets (Note 4)	276,197	222,930
Restricted cash (Note 5)	50,001	50,000
	<u>50,001</u>	<u>50,000</u>
Total assets	<u>\$2,679,460</u>	<u>\$1,762,947</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$198,087	\$204,127
Government grants advances - per pupil	0	664
Paycheck Protection Program loan (Note 6)	0	318,625
Loan payable (Note 7)	0	70,000
Deferred rent	128,323	0
	<u>128,323</u>	<u>0</u>
Total liabilities	<u>326,410</u>	<u>593,416</u>
Net assets:		
Without donor restrictions	<u>2,353,050</u>	<u>1,169,531</u>
Total liabilities and net assets	<u>\$2,679,460</u>	<u>\$1,762,947</u>

The attached notes and auditor's report are an integral part of these financial statements.

ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With comparative totals for the year ended June 30, 2020)

	6/30/21	6/30/20*
Without donor restrictions:		
Public support and revenue:		
Public school district revenue: (Note 3)		
Resident student enrollment	\$3,756,272	\$3,053,561
Students with special education services	344,491	204,082
Total public school district revenue	4,100,763	3,257,643
Government grants:		
New York City rental assistance (Note 3)	1,075,730	700,000
Paycheck Protection Program (Note 6)	318,625	0
Other government grants	148,140	215,705
Contributions	38,058	2,430
Other income	2,528	7,800
Total public support and revenue	5,683,844	4,183,578
Expenses:		
Program services:		
Regular education	3,231,158	2,440,549
Special education	523,089	464,864
Total program services	3,754,247	2,905,413
Supporting services - Management and general	746,078	517,406
Total expenses	4,500,325	3,422,819
Change in net assets	1,183,519	760,759
Net assets - beginning of period	1,169,531	408,772
Net assets - end of period	\$2,353,050	\$1,169,531

*Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With comparative totals for the year ended June 30, 2020)

	Program Services			Supporting Services	Total Expenses 6/30/21	Total Expenses 6/30/20
	Regular Education	Special Education	Total Program Services	Management and General		
Salaries	\$1,492,657	\$241,643	\$1,734,300	\$290,616	\$2,024,916	1,555,445
Payroll taxes and benefits	333,673	54,018	387,691	64,964	452,655	315,096
Total personnel costs	1,826,330	295,661	2,121,991	355,580	2,477,571	1,870,541
Professional fees	11,182	1,810	12,992	251,715	264,707	366,583
Curriculum and classroom expenses	25,826	4,182	30,008		30,008	57,280
Facilities expense (Notes 3 and 9)	1,046,154	169,360	1,215,514		1,215,514	744,492
Office expenses	29,305	4,745	34,050	71,094	105,144	63,856
Professional development	116,174	18,808	134,982		134,982	153,841
Insurance	38,079	6,165	44,244	7,807	52,051	43,663
Recruitment			0	51,384	51,384	39,298
Other expenses	44,397	7,187	51,584	8,498	60,082	11,821
Depreciation	93,711	15,171	108,882		108,882	71,444
Total expenses	<u>\$3,231,158</u>	<u>\$523,089</u>	<u>\$3,754,247</u>	<u>\$746,078</u>	<u>\$4,500,325</u>	<u>\$3,422,819</u>

The attached notes and auditor's report are an integral part of these financial statements.

**ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**
(With comparative totals for the year ended June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Cash flows from operating activities:		
Change in net assets	\$1,183,519	\$760,759
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	108,882	71,444
Changes in assets and liabilities:		
Government grants receivable - per pupil	(10,828)	0
Government grants receivable - other	(29,514)	153,780
Prepaid expenses and other assets	8,854	6,749
Security deposit	116,666	(530,166)
Accounts payable and accrued expenses	(6,040)	51,707
Government grants advances - other	0	(29,534)
Government grants advances - per pupil	(664)	(6,477)
Paycheck Protection Program loan	(318,625)	318,625
Deferred rent	128,323	0
Total adjustments	<u>(2,946)</u>	<u>36,128</u>
Net cash flows provided by operating activities	<u>1,180,573</u>	<u>796,887</u>
Cash flows from investing activities:		
Purchases of furniture, equipment, and leasehold improvements	<u>(162,149)</u>	<u>(161,700)</u>
Net cash flows used for investing activities	<u>(162,149)</u>	<u>(161,700)</u>
Cash flows from financing activities:		
Loan repayment	<u>(70,000)</u>	<u>(40,000)</u>
Net cash flows used for financing activities	<u>(70,000)</u>	<u>(40,000)</u>
Net increase in cash, cash equivalents, and restricted cash	948,424	595,187
Cash, cash equivalents, and restricted cash - beginning of year	<u>840,909</u>	<u>245,722</u>
Cash, cash equivalents, and restricted cash - end of year	<u><u>\$1,789,333</u></u>	<u><u>\$840,909</u></u>
Cash, cash equivalents, and restricted cash consists of:		
Cash and cash equivalents	\$1,739,332	\$790,909
Restricted cash (Note 5)	50,001	50,000
Total cash, cash equivalents, and restricted cash	<u><u>\$1,789,333</u></u>	<u><u>\$840,909</u></u>
Supplemental disclosures:		
Interest paid	<u>\$428</u>	<u>\$3,900</u>
Taxes paid	<u>\$0</u>	<u>\$0</u>

The attached notes and auditor's report are an integral part of these financial statements.

**ELM COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 1 - Organization

Elm Community Charter School (the “School”), located in Flushing, New York, is a not-for-profit education corporation chartered by the Board of Regents of the University of the State of New York. The charter was authorized by the SUNY Charter Schools Institute. The School provides a full range of educational services appropriate for elementary school. The School aims to foster an interdisciplinary and collaborative learning environment focused on cultivating civically engaged student leaders.

The School completed the 2020-2021 fiscal year with an average enrollment of approximately 233 students. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education (“NYCDOE”). On July 14, 2017, the School was granted a charter for a term up to and including through July 31, 2023. The summarized comparative information reflects activity for the year ended June 30, 2020.

The School is affiliated with the Friends of Elm Community Charter School, Inc. (“Friends of Elm”) through the use of shared members of their respective board of trustees. Friends of Elm is a not-for-profit corporation established to support the creation of the School and function as the fundraising arm of the School. As the School does not have control over Friends of Elm, the financial statements are not permitted to be consolidated. See Notes 3 and 9 for a description of related party transactions.

The School has been notified by the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. They have not been designated as a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

Net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use.

- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. The School did not have any net assets with donor restrictions at June 30, 2021 or June 30, 2020.

c. Revenue Recognition

The School follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions. Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature.

Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions, and fall under ASC 958-605. Revenue from these transactions is recognized based on rates established by the School's funding sources and when performance related outcomes are achieved as well as other conditions under the agreements are met. The difference between cash received and revenue recognized is reflected as government grants receivable or refundable advances.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. At June 30, 2021 all contributions and grants are expected to be collected within one year.

Pledges are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2021 or June 30, 2020. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollectable.

d. Cash and Cash Equivalents

The School considers all liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents. Restricted cash has been classified separately.

The School follows FASB ASC 230. This requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows.

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d. Cash and Cash Equivalents

The School considers all liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents. Restricted cash has been classified separately.

The School follows ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows.

e. Concentration of Credit

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash accounts, which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year end the School had uninsured balances, which management feels they have little risk, and has not experienced any losses due to bank failure.

f. Capitalization Policy

Computer hardware, furniture, equipment, and leasehold improvements are capitalized at cost or at the fair value at the date of gift, if donated. The School capitalizes fixed assets in excess of \$5,000 that have a useful life of more than one year. Depreciation was computed using the straight-line method over the estimated useful life of the respective assets as follows:

Computers and equipment – *3 years*

Furniture and fixtures – *5 years*

Leasehold improvements – *Life of lease*

g. Deferred Rent Obligations

Rent expense is recorded on the straight-line basis and recognized evenly over the life of the lease. Rent expense recognized in excess of cash payments is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

h. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased, if not provided in-kind. Board members and other individuals volunteer their time and perform a variety of tasks that assist the School. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Salaries were allocated using time and effort as the basis. The following costs were allocated using the salary allocation as the basis:

- Payroll taxes and employee benefits
- Office expenses
- Insurance

Certain program expenses have been allocated between Regular Education and Special Education based on student FTE rates. All other expenses have been charged directly to the applicable program or supporting services.

j. Use of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Contingencies

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.

l. Accounting for Uncertainty in Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2018, and later are subject to examination by applicable taxing authorities.

m. Comparative Financial Information

The financial statements include certain prior year summarized comparative information by total but not in 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 School's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

n. New Accounting Pronouncements

FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The School is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Government Grants Receivable/(Advances) – Per Pupil

Activity related to the contract with the NYCDOE can be summarized as follows:

	<u>6/30/21</u>	<u>6/30/20</u>
Beginning grant advance	(\$664)	(\$7,141)
Per pupil funding:		
Funding based on allowable FTEs	4,100,763	3,257,643
Advances received	<u>(4,089,271)</u>	<u>(3,251,166)</u>
Ending grant receivable/(advance)	<u>\$10,828</u>	<u>(\$664)</u>

In addition to per pupil funding, the School was entitled to receive a rent subsidy, that is calculated at the lower of 30 percent of the per pupil amount or actual lease costs. During the years ended June 30, 2021 and 2020, the amount of rent subsidy recognized was \$1,075,730 and \$700,000, respectively, based on the lease costs. As outlined in Note 9, the lease was with Friends of Elm, a related party.

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/21</u>	<u>6/30/20</u>
Furniture, fixtures and equipment	\$432,133	\$317,798
Leasehold improvements	<u>69,839</u>	<u>22,025</u>
	501,972	339,823
Less: accumulated depreciation	<u>(225,775)</u>	<u>(116,893)</u>
Total	<u>\$276,197</u>	<u>222,930</u>

Note 5 - Restricted Cash

An escrow account has been established to meet the requirement of the Board of Regents of the State of New York. The purpose of this account is to ensure sufficient funds are available for an orderly dissolution or transition process in the event of termination of the charter or school closure.

Note 6 - Paycheck Protection Program Loan

During the fiscal period ended June 30, 2020, the School obtained a loan from the Small Business Administration (“SBA”) through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that are not less than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven.

The School accounted for the PPP loan as a conditional contribution in accordance with ASC 958-605. During the year ended June 30, 2021, the School met all of the conditions and recognized the full amount as revenue. The School was notified that the loan was forgiven by the SBA.

Note 7 - Loans Payable

On May 29, 2018, the School received a loan from another non-profit organization for \$70,000 to fund the School's security deposit with the landlord. Interest on this loan accrues at an annual rate of 8%. The full amount of the loan was outstanding at June 30, 2020. The balance was repaid in full during the year ended June 30, 2021.

Note 8 - Significant Concentrations

The School is dependent upon grants from the NYCDOE to carry out its operations. Approximately 91% and 95% of the School's total public support and revenue was from NYCDOE for the year ended June 30, 2021 and June 30, 2020, respectively. If the NYCDOE were to discontinue funding, it would have a severe economic impact on the School's ability to operate.

Note 9 - Commitments and Contingencies/ Related Party Transactions

During the year ended June 30, 2020, the School entered into a lease agreement with Friends of Elm for an educational and administrative space at 69-26 Cooper Avenue, Queens, NY, that became effective July 1, 2020.

The lease expires on June 30, 2022 with a one-year renewal option. Friends of Elm is responsible to pay rent, various utilities, and provide other facility services. The School will then make monthly payments to Friends of Elm to cover these expenses.

Total rent costs of \$1,075,730 consists of base rent of \$900,000 plus additional facility costs of \$175,730.

The School entered into another lease agreement with Friends of Elm Community Charter School, Inc. for a new educational and administrative space at 79-20 Queens Blvd., Queens, NY, that is anticipated to become effective July 1, 2022 as the lease discussed in the preceding paragraph expires. This new lease expires June 30, 2053.

Future minimum payments under these leases are as follows:

Year ending:	June 30, 2022	\$1,100,000
	June 30, 2023	1,800,000
	June 30, 2024	2,087,277
	June 30, 2025	2,139,459
	June 30, 2026	2,192,946
	Thereafter	<u>85,217,426</u>
Total		<u>\$93,437,108</u>

Note 10 - Retirement Plan

The School has a retirement plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate and may elect to defer a portion of their salary and contribute to this plan up to statutory amounts. The School provides matching contributions on a discretionary basis and contributed \$37,085 and \$24,425 for the year ended June 30, 2021 and June 30, 2020, respectively. Salary deferrals and matching contributions are immediately 100% vested.

Note 11 - Availability and Liquidity

At June 30, 2021, the School's financial assets available to meet cash needs for general expenditures within one year are 1,869,762, which consist of cash and cash equivalents of \$1,739,332 and government grants receivable due within one year of 130,430. There are no external or internal limits imposed on these balances. As part of its liquidity management, the School operates its programs within a board approved budget and relies on grants and contributions to fund its operations and program activities.

Note 12 - Subsequent Events

Subsequent events have been evaluated through October 21, 2021, the date the financial statements were issued. The School has concluded that no other material events have occurred that are not accounted for in the accompanying financial statements or disclosed in the accompanying notes.

Note 13 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the School operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted; however, supply chains remain impacted. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.

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*

Independent Auditor's Report

To the Board of Trustees of
Elm Community Charter School

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 Elm Community Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, 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 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

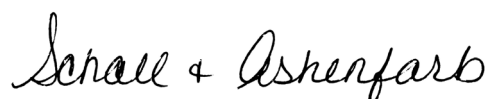
As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-001.

Management of the School's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 21, 2021

**ELM COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Current Year:

2021-001 – Minimum Escrow Account Balances

Criteria: The New York State Education Department requires every charter school to create a dissolution reserve account for purposes of school closure and/or dissolution. After three years of operation a charter school is required to maintain a minimum balance in its escrow account of \$75,000.

Condition: As of June 30, 2021, the balance in School’s escrow account was \$50,001.

Cause: The School did not transfer additional funds to the escrow account until August 2021.

Effect: The School was not in compliance with its charter school agreement nor the New York State Education Department’s requirements for minimum escrow deposits.

Recommendation: The School should take steps to ensure its escrow account is properly funded.

Views of Responsible Officials: See management corrective action plan attached.

Prior Year:

None



Elm Community
Charter School

Corrective Action Plan

2021-001 – Minimum Escrow Account Balances:

Subsequent to year-end, the School deposited the additional funds into the escrow account.