

Manhattan Charter Schools

Financial Statements

June 30, 2021 and 2020

Independent Auditors' Report

Board of Trustees
Manhattan Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Manhattan Charter Schools (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 schedules of activities and functional expenses by school on pages 17 through 19 are presented for purposes of additional analysis and are 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 14, 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.

PKF O'Connor Davies, LLP

Harrison, New York
October 14, 2021

Manhattan Charter Schools

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Current Assets		
Cash	\$ 6,560,399	\$ 6,032,462
Investments	1,384,394	1,380,530
Grants and contracts receivable	301,141	309,458
Prepaid expenses and other current assets	369,762	172,450
Total Current Assets	8,615,696	7,894,900
Property and equipment, net	233,408	256,786
Restricted cash	150,445	149,965
	\$ 8,999,549	\$ 8,301,651
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 187,646	\$ 203,343
Accrued payroll and payroll taxes	633,197	717,375
Refundable advances	7,836	-
Total Current Liabilities	828,679	920,718
Net Assets		
Without Donor Restrictions		
Undesignated	6,847,717	6,062,780
Board designated	1,320,000	1,315,000
Total Net Assets Without Donor Restrictions	8,167,717	7,377,780
With donor restrictions	3,153	3,153
Total Net Assets	8,170,870	7,380,933
	\$ 8,999,549	\$ 8,301,651

Manhattan Charter Schools

Statement of Activities Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and local per pupil operating revenue			
General education	\$ 5,957,373	\$ -	\$ 5,957,373
Special education	858,152	-	858,152
Federal grants	432,883	-	432,883
State grants	<u>28,865</u>	-	<u>28,865</u>
Total Operating Revenue	<u>7,277,273</u>	<u>-</u>	<u>7,277,273</u>
EXPENSES			
Program Services			
Regular education	4,490,090	-	4,490,090
Special education	<u>1,293,501</u>	<u>-</u>	<u>1,293,501</u>
Total Program Services	5,783,591	-	5,783,591
Supporting Services			
Management and general	726,745	-	726,745
Fundraising	<u>13,528</u>	<u>-</u>	<u>13,528</u>
Total Expenses	<u>6,523,864</u>	<u>-</u>	<u>6,523,864</u>
Surplus from Operations	<u>753,409</u>	<u>-</u>	<u>753,409</u>
SUPPORT AND OTHER REVENUE			
Contributions	18,257	-	18,257
Investment income, net	5,651	-	5,651
Other revenue	<u>12,620</u>	<u>-</u>	<u>12,620</u>
Total Support and Other Revenue	<u>36,528</u>	<u>-</u>	<u>36,528</u>
Change in Net Assets	789,937	-	789,937
NET ASSETS			
Beginning of year	<u>7,377,780</u>	<u>3,153</u>	<u>7,380,933</u>
End of year	<u>\$ 8,167,717</u>	<u>\$ 3,153</u>	<u>\$ 8,170,870</u>

See notes to financial statements

Manhattan Charter Schools

Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
State and local per pupil operating revenue			
General education	\$ 6,508,796	\$ -	\$ 6,508,796
Special education	832,551	-	832,551
Federal grants	405,918	-	405,918
State grants	<u>33,646</u>	-	<u>33,646</u>
Total Operating Revenue	<u>7,780,911</u>	<u>-</u>	<u>7,780,911</u>
EXPENSES			
Program Services			
Regular education	4,848,929	-	4,848,929
Special education	1,260,839	-	1,260,839
Extended day	<u>212,627</u>	<u>-</u>	<u>212,627</u>
Total Program Services	6,322,395	-	6,322,395
Supporting Services			
Management and general	827,351	-	827,351
Fundraising	<u>13,469</u>	<u>-</u>	<u>13,469</u>
Total Expenses	<u>7,163,215</u>	<u>-</u>	<u>7,163,215</u>
Surplus from Operations	<u>617,696</u>	<u>-</u>	<u>617,696</u>
SUPPORT AND OTHER REVENUE			
Contributions	41,504	-	41,504
Investment income, net	33,297	-	33,297
Net assets released from restrictions	<u>2,643</u>	<u>(2,643)</u>	<u>-</u>
Total Support and Other Revenue	<u>77,444</u>	<u>(2,643)</u>	<u>74,801</u>
Change in Net Assets	695,140	(2,643)	692,497
NET ASSETS			
Beginning of year	<u>6,682,640</u>	<u>5,796</u>	<u>6,688,436</u>
End of year	<u>\$ 7,377,780</u>	<u>\$ 3,153</u>	<u>\$ 7,380,933</u>

Manhattan Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	10	\$ 411,157	\$ 150,191	\$ 561,348	\$ 333,657	\$ 10,060	\$ 905,065
Instructional personnel	40	2,573,519	684,420	3,257,939	-	-	3,257,939
Non-instructional personnel	<u>2</u>	<u>63,166</u>	<u>20,093</u>	<u>83,259</u>	<u>-</u>	<u>-</u>	<u>83,259</u>
Total Salaries and Staff	<u>52</u>	<u>3,047,842</u>	<u>854,704</u>	<u>3,902,546</u>	<u>333,657</u>	<u>10,060</u>	<u>4,246,263</u>
Employee benefits and payroll taxes		590,648	164,743	755,391	65,913	2,025	823,329
Retirement		71,174	19,904	91,078	7,694	248	99,020
Legal services		-	-	-	33,920	-	33,920
Accounting and auditing services		-	-	-	244,424	-	244,424
Other professional and consulting services		123,183	45,531	168,714	1,176	39	169,929
Repairs and maintenance		9,841	2,750	12,591	1,091	33	13,715
Insurance		57,705	16,102	73,807	6,721	181	80,709
Supplies and materials		119,060	42,476	161,536	-	-	161,536
Equipment and furnishings		105	29	134	10	-	144
Staff development		80,044	29,200	109,244	1,030	34	110,308
Marketing and recruiting		78,933	28,513	107,446	-	-	107,446
Technology		162,716	45,422	208,138	18,718	521	227,377
Student service		35,430	12,409	47,839	-	-	47,839
Office expense		21,314	5,968	27,282	2,194	79	29,555
Depreciation and amortization		78,342	21,895	100,237	8,646	266	109,149
Miscellaneous		<u>13,753</u>	<u>3,855</u>	<u>17,608</u>	<u>1,551</u>	<u>42</u>	<u>19,201</u>
Total Expenses		<u>\$ 4,490,090</u>	<u>\$ 1,293,501</u>	<u>\$ 5,783,591</u>	<u>\$ 726,745</u>	<u>\$ 13,528</u>	<u>\$ 6,523,864</u>

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Statement of Functional Expenses
Year Ended June 30, 2020

	No. of Positions	Program Services				Supporting Services		
		Regular Education	Special Education	Extended Day	Total	Management and General	Fundraising	Total
Personnel Services Costs								
Administrative staff personnel	10	\$ 412,344	\$ 137,998	\$ -	\$ 550,342	\$ 383,286	\$ 9,863	\$ 943,491
Instructional personnel	51	2,811,596	674,200	18,404	3,504,200	-	-	3,504,200
Non-instructional personnel	2	58,410	14,603	-	73,013	24,338	-	97,351
Total Salaries and Staff	63	3,282,350	826,801	18,404	4,127,555	407,624	9,863	4,545,042
Employee benefits and payroll taxes		624,453	157,314	3,503	785,270	77,544	1,877	864,691
Retirement		80,891	20,649	473	102,013	9,978	257	112,248
Legal services		-	-	-	-	23,072	-	23,072
Accounting and auditing services		-	-	-	-	248,032	-	248,032
Other professional and consulting services		195,289	61,258	188,287	444,834	9,577	93	454,504
Repairs and maintenance		5,312	1,421	36	6,769	639	20	7,428
Insurance		46,771	11,629	251	58,651	5,846	133	64,630
Supplies and materials		125,380	41,753	-	167,133	-	-	167,133
Equipment and furnishings		1,035	276	7	1,318	125	4	1,447
Staff development		104,112	33,155	127	137,394	2,673	386	140,453
Marketing and recruiting		67,972	22,130	22	90,124	723	10	90,857
Technology		145,346	36,601	814	182,761	18,053	436	201,250
Student service		42,164	14,122	-	56,286	-	-	56,286
Office expense		32,168	8,346	198	40,712	7,205	109	48,026
Depreciation and amortization		73,812	18,771	426	93,009	9,124	231	102,364
Miscellaneous		21,874	6,613	79	28,566	7,136	50	35,752
Total Expenses		\$ 4,848,929	\$ 1,260,839	\$ 212,627	\$ 6,322,395	\$ 827,351	\$ 13,469	\$ 7,163,215

Manhattan Charter Schools

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 789,937	\$ 692,497
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	109,149	102,364
Unrealized loss (gain) on investments	6,433	(4,846)
Changes in operating assets and liabilities		
Grants and contracts receivable	8,317	(149,346)
Prepaid expenses and other current assets	(197,312)	(60,723)
Accounts payable and accrued expenses	(15,697)	(56,607)
Accrued payroll and payroll taxes	(84,178)	(139,681)
Refundable advances	7,836	(4,010)
Net Cash from Operating Activities	624,485	379,648
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(85,771)	(115,369)
Purchases of investments	(10,297)	(26,239)
Net Cash from Investing Activities	(96,068)	(141,608)
 Net Change in Cash and Restricted Cash	528,417	238,040
CASH AND RESTRICTED CASH		
Beginning of year	6,182,427	5,944,387
End of year	\$ 6,710,844	\$ 6,182,427

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Tax Status

Manhattan Charter Schools is a New York State not-for-profit education corporation operating in New York City pursuant to Article 56 of the Education Law of the State of New York. The accompanying financial statements include the following charter schools, collectively referred to as the "School":

Manhattan Charter School ("MCS") was incorporated on July 21, 2004, and was granted a provisional charter on July 21, 2004 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 (the "Board of Regents"). The Board of Regents approved and issued several renewals to MCS's charter. Effective July 1, 2016, MCS's charter agreement was incorporated into Manhattan Charter School II's ("MCS II") amended and restated charter agreement (see below).

MCS II was incorporated on September 13, 2011 and 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. The Board of Regents approved and issued a renewal to its amended and restated charter for an additional five-year term expiring July 31, 2022.

The School's mission is to prepare its students to achieve high academic levels in the four core subject areas, communicate effectively in verbal, mathematical and musical languages, and to apply critical thinking processes and ethical standards to learning, living and problem solving. The School provided education to approximately 370 students in kindergarten through fifth grade during the 2020-2021 academic year.

MCS and MCS II merged into a single not-for-profit legal entity under MCS II, which serves as the sole surviving educational corporation. The plan of merger was approved by the State University of New York Charter School Committee on February 25, 2016, and became effective for financial purposes on July 1, 2016. MCS II changed its name to Manhattan Charter Schools and each school is authorized by the Charter Schools Institute of the State University of New York under MCS II's provisional charter, as amended to effect the merger. MCS was dissolved in conjunction with this merger.

The School shares space with New York City public schools. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

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.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2021 and 2020

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.

Net Asset 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. As of June 30, 2021 and 2020, the Board of Trustees has designated \$1,320,000 and \$1,315,000 for long-term educational planning, organizational growth or facilities planning.

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.

Fair Value Measurements

The School follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Money market fund is reported using level 1 inputs from the fair value hierarchy as reported on the last business day of the fiscal year. Certificates of deposit are valued at the amounts deposited plus accrued interest, and are measured at estimated market value.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2021 and 2020

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

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.

Restricted Cash

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

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows for the years ended June 30:

	2021	2020
Cash	\$ 6,560,399	\$ 6,032,462
Restricted cash	150,445	149,965
	<u>\$ 6,710,844</u>	<u>\$ 6,182,427</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 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 equipment	3 - 5 years
Furniture and fixtures	7 years
Software	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 for 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, 2021 and 2020.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2021 and 2020

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

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Revenue from the 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 Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2021 and 2020 was \$107,446 and \$90,857.

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.

Reclassifications

Certain 2020 accounts have been reclassified to conform to the 2021 financial statement presentation.

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, 2018.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2021 and 2020

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

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 14, 2021.

3. Investments

The School's investments at June 30 consist of the following:

	2021		2020	
	Cost	Market	Cost	Market
Certificates of deposit	\$ 1,320,000	\$ 1,323,383	\$ 1,315,000	\$ 1,332,126
Money market fund	61,011	61,011	48,404	48,404
	<u>\$ 1,381,011</u>	<u>\$ 1,384,394</u>	<u>\$ 1,363,404</u>	<u>\$ 1,380,530</u>

Net investment income consist of the following for the years ended June 30:

	2021	2020
Interest	\$ 10,297	\$ 28,451
Unrealized (loss) gain on investments	(6,433)	4,846
	<u>\$ 3,864</u>	<u>\$ 33,297</u>

4. 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.

5. Property and Equipment

Property and equipment, net consists of the following at June 30:

	2021	2020
Computers and equipment	\$ 1,071,253	\$ 985,482
Furniture and fixtures	223,331	223,331
Leasehold improvements	180,662	180,662
Software	22,025	22,025
	1,497,271	1,411,500
Accumulated depreciation and amortization	(1,263,863)	(1,154,714)
	<u>\$ 233,408</u>	<u>\$ 256,786</u>

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2021 and 2020

6. 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 provided matching contributions up to 4% of the participant's annual compensation. Employee match for the years ended June 30, 2021 and 2020 amounted to \$99,019 and \$112,248.

7. 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:

Financial Assets at year end:	2021	2020
Cash	\$ 6,560,399	\$ 6,032,462
Investments	1,384,394	1,380,530
Grants and contracts receivable	301,141	309,458
Total Financial Assets	<u>8,245,934</u>	<u>7,722,450</u>
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	3,153	3,153
Board designated net assets	1,320,000	1,315,000
	<u>1,323,153</u>	<u>1,318,153</u>
	<u>\$ 6,922,781</u>	<u>\$ 6,404,297</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 invested in highly liquid securities. The Board of Trustees has designated net assets without donor restrictions that could be drawn upon through board resolution and can be made available for current operations, unbudgeted expenses, and unanticipated loss in funding.

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 and investments 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, 2021 and 2020, approximately \$6,460,000 and \$5,900,000 of cash and investments were maintained with an institution in excess of FDIC limits.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2021 and 2020

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 each of the years ended June 30, 2021 and 2020, the School received approximately 94% 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. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and consist of grants restricted for musical education.

Net assets for the year ended June 30, 2020 were released from donor restrictions by satisfying the purpose specified by donors for musical education.

11. 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.

12. 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.

Manhattan Charter Schools

Supplementary Information

June 30, 2021

Manhattan Charter Schools

Schedule of Activities by School

Year Ended June 30, 2021

(with summarized totals for the year ended June 30, 2020)

	Manhattan Charter School			Manhattan Charter School II			Manhattan Charter Schools			
	2021		2020	2021		2020	2021	2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Total	Total		
OPERATING REVENUE										
State and local per pupil operating revenue										
General education	\$ 3,678,221	\$ -	\$ 3,678,221	\$ 4,053,421	\$ 2,279,152	\$ -	\$ 2,279,152	\$ 2,455,375	\$ 5,957,373	\$ 6,508,796
Special education	474,293	-	474,293	503,084	383,859	-	383,859	329,467	858,152	832,551
Federal grants	252,491	-	252,491	228,965	180,392	-	180,392	176,953	432,883	405,918
State grants	18,450	-	18,450	20,386	10,415	-	10,415	13,260	28,865	33,646
Total Operating Revenue	<u>4,423,455</u>	<u>-</u>	<u>4,423,455</u>	<u>4,805,856</u>	<u>2,853,818</u>	<u>-</u>	<u>2,853,818</u>	<u>2,975,055</u>	<u>7,277,273</u>	<u>7,780,911</u>
EXPENSES										
Program Services										
Regular education	2,824,838	-	2,824,838	2,833,138	1,665,252	-	1,665,252	2,015,791	4,490,090	4,848,929
Special education	800,421	-	800,421	785,767	493,080	-	493,080	475,072	1,293,501	1,260,839
Extended day	-	-	-	134,737	-	-	-	77,890	-	212,627
Total Program Services	<u>3,625,259</u>	<u>-</u>	<u>3,625,259</u>	<u>3,753,642</u>	<u>2,158,332</u>	<u>-</u>	<u>2,158,332</u>	<u>2,568,753</u>	<u>5,783,591</u>	<u>6,322,395</u>
Supporting Services										
Management and general	399,562	-	399,562	442,774	327,183	-	327,183	384,577	726,745	827,351
Fundraising	10,154	-	10,154	10,202	3,374	-	3,374	3,267	13,528	13,469
Total Expenses	<u>4,034,975</u>	<u>-</u>	<u>4,034,975</u>	<u>4,206,618</u>	<u>2,488,889</u>	<u>-</u>	<u>2,488,889</u>	<u>2,956,597</u>	<u>6,523,864</u>	<u>7,163,215</u>
Surplus from Operations	<u>388,480</u>	<u>-</u>	<u>388,480</u>	<u>599,238</u>	<u>364,929</u>	<u>-</u>	<u>364,929</u>	<u>18,458</u>	<u>753,409</u>	<u>617,696</u>
SUPPORT AND OTHER REVENUE										
Contributions	18,257	-	18,257	41,504	-	-	-	-	18,257	41,504
Investment income, net	5,415	-	5,415	33,090	236	-	236	207	5,651	33,297
Other revenue	12,620	-	12,620	-	-	-	-	-	12,620	-
Total Support and Other Revenue	<u>36,292</u>	<u>-</u>	<u>36,292</u>	<u>74,594</u>	<u>236</u>	<u>-</u>	<u>236</u>	<u>207</u>	<u>36,528</u>	<u>74,801</u>
Change in Net Assets	424,772	-	424,772	673,832	365,165	-	365,165	18,665	789,937	692,497
NET ASSETS										
Beginning of year	<u>5,914,054</u>	<u>-</u>	<u>5,914,054</u>	<u>5,240,222</u>	<u>1,463,726</u>	<u>3,153</u>	<u>1,466,879</u>	<u>1,448,214</u>	<u>7,380,933</u>	<u>6,688,436</u>
End of year	<u>\$ 6,338,826</u>	<u>\$ -</u>	<u>\$ 6,338,826</u>	<u>\$ 5,914,054</u>	<u>\$ 1,828,891</u>	<u>\$ 3,153</u>	<u>\$ 1,832,044</u>	<u>\$ 1,466,879</u>	<u>\$ 8,170,870</u>	<u>\$ 7,380,933</u>

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School
 Year Ended June 30, 2021
 (with summarized totals for the year ended June 30, 2020)

	No. of Positions	2021					2020	
		Program Services			Supporting Services		Total	Total
		Regular Education	Special Education	Total	Management and General	Fundraising		
Personnel Services Costs								
Administrative staff personnel	5	\$ 194,198	\$ 61,772	\$ 255,970	\$ 189,451	\$ 7,545	\$ 452,966	\$ 457,788
Instructional personnel	27	1,711,892	471,619	2,183,511	-	-	2,183,511	2,064,157
Non-instructional personnel	2	63,166	20,093	83,259	-	-	83,259	97,351
Total Salaries and Staff	34	1,969,256	553,484	2,522,740	189,451	7,545	2,719,736	2,619,296
Employee benefits and payroll taxes		393,557	110,131	503,688	39,115	1,558	544,361	\$ 498,915
Retirement		51,971	14,571	66,542	5,095	203	71,840	73,548
Legal services		-	-	-	14,155	-	14,155	10,886
Accounting and auditing services		-	-	-	130,442	-	130,442	129,267
Other professional and consulting services		44,762	13,930	58,692	802	32	59,526	339,772
Repairs and maintenance		6,464	1,812	8,276	634	25	8,935	6,962
Insurance		29,194	8,185	37,379	2,862	114	40,355	32,315
Supplies and materials		67,590	21,500	89,090	-	-	89,090	117,408
Equipment and furnishings		105	29	134	10	-	144	1,319
Staff development		31,750	9,827	41,577	708	28	42,313	77,047
Marketing and recruiting		40,866	12,999	53,865	-	-	53,865	42,769
Technology		88,566	24,831	113,397	8,682	346	122,425	115,621
Student service		22,703	7,222	29,925	-	-	29,925	23,359
Office expense		18,512	5,190	23,702	1,815	72	25,589	33,702
Depreciation and amortization		52,409	14,693	67,102	5,136	205	72,443	64,782
Miscellaneous		7,133	2,017	9,150	655	26	9,831	19,650
Total Expenses		\$ 2,824,838	\$ 800,421	\$ 3,625,259	\$ 399,562	\$ 10,154	\$ 4,034,975	\$ 4,206,618

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School II

Year Ended June 30, 2021

(with summarized totals for the year ended June 30, 2020)

	2021						2020
	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	5	\$ 216,959	\$ 88,419	\$ 305,378	\$ 144,206	\$ 2,515	\$ 452,099
Instructional personnel	13	861,627	212,801	1,074,428	-	-	1,074,428
Non-instructional personnel	-	-	-	-	-	-	-
Total Salaries and Staff	<u>18</u>	<u>1,078,586</u>	<u>301,220</u>	<u>1,379,806</u>	<u>144,206</u>	<u>2,515</u>	<u>1,526,527</u>
Employee benefits and payroll taxes		197,091	54,612	251,703	26,798	467	278,968
Retirement		19,203	5,333	24,536	2,599	45	27,180
Legal services		-	-	-	19,765	-	19,765
Accounting and auditing services		-	-	-	113,982	-	113,982
Other professional and consulting services		78,421	31,601	110,022	374	7	110,403
Repairs and maintenance		3,377	938	4,315	457	8	4,780
Insurance		28,511	7,917	36,428	3,859	67	40,354
Supplies and materials		51,470	20,976	72,446	-	-	72,446
Equipment and furnishings		-	-	-	-	-	-
Staff development		48,294	19,373	67,667	322	6	67,995
Marketing and recruiting		38,067	15,514	53,581	-	-	53,581
Technology		74,150	20,591	94,741	10,036	175	104,952
Student service		12,727	5,187	17,914	-	-	17,914
Office expense		2,802	778	3,580	379	7	3,966
Depreciation and amortization		25,933	7,202	33,135	3,510	61	36,706
Miscellaneous		6,620	1,838	8,458	896	16	9,370
Total Expenses		<u>\$ 1,665,252</u>	<u>\$ 493,080</u>	<u>\$ 2,158,332</u>	<u>\$ 327,183</u>	<u>\$ 3,374</u>	<u>\$ 2,488,889</u>
							<u>\$ 2,956,597</u>



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
Manhattan 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 Manhattan Charter Schools (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 14, 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 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 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 14, 2021

Manhattan Charter Schools

Independent Auditors' Report on Communication of
Internal Control Matters

June 30, 2021

Board of Trustees
Manhattan Charter Schools

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Manhattan Charter Schools (the "School") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, 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 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We have an other observation and recommendation that is an opportunity for strengthening internal control and/or operating efficiency, presented in Addendum A.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the School and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
October 14, 2021

Manhattan Charter Schools

Addendum A

**Other Observation and Recommendation for Strengthening Internal Control and/or
Operating Efficiency**

1. Cybersecurity Awareness Training and Cybersecurity Assessment

During our audit, we noted the School has not implemented a cybersecurity awareness training program, nor performed a cybersecurity assessment.

We recommend that the School develop and implement an employee cybersecurity awareness program. Employees across all business segments pose a significant risk to the security of the network and sensitive data. While technical controls can and should be implemented to limit and control cyber risk, ultimately employee awareness training is proven to be the most effective mitigation. Further, many types of cyber-attacks are specifically designed to commit financial fraud by leveraging employee cyber education weaknesses.

In addition, we recommend that the School establish a process to periodically monitor the design and operating effectiveness of their cybersecurity program. Such a process is becoming a standard to be performed on an annual basis, similar to the financial audit. Cybersecurity is a significant risk facing every business. Businesses of all sizes are under the threat of constant attack. A successful cyber breach could result in significant financial, operations, regulatory and reputational impact. A key control to defend against the multitude of cyber threats is to have a clear understanding of the cyber exposure of the business and the effectiveness of the controls in defending against them.

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