

**URBAN ASSEMBLY CHARTER SCHOOL FOR
COMPUTER SCIENCE**

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2021

(With Comparative Totals for 2020)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Urban Assembly Charter School for Computer Science

Report on the Financial Statements

We have audited the accompanying financial statements of Urban Assembly Charter School for Computer Science, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Urban Assembly Charter School for Computer Science as of June 30, 2021, and the changes in its net assets, functional expenses, 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 Urban Assembly Charter School for Computer Science's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2020. In our opinion, the summarized comparative information presented herein as of June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report 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 Urban Assembly Charter School for Computer Science's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Urban Assembly Charter School for Computer Science's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 21, 2021

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals for 2020)

| <u>ASSETS</u> | <u>June 30,</u> | |
|--|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 950,209 | \$ 1,170,460 |
| Grants and contracts receivable | 292,640 | 98,554 |
| Prepaid expenses | <u>67,155</u> | <u>28,069</u> |
| TOTAL CURRENT ASSETS | 1,310,004 | 1,297,083 |
| <u>PROPERTY AND EQUIPMENT, net</u> | 918,979 | 823,304 |
| <u>OTHER ASSETS</u> | | |
| Security deposit | 75,000 | - |
| Cash in escrow | <u>75,511</u> | <u>50,004</u> |
| | <u>150,511</u> | <u>50,004</u> |
| TOTAL ASSETS | <u>\$ 2,379,494</u> | <u>\$ 2,170,391</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable and accrued expenses | \$ 242,861 | \$ 174,489 |
| Deferred revenue | <u>3,842</u> | <u>-</u> |
| TOTAL CURRENT LIABILITIES | 246,703 | 174,489 |
| <u>LONG-TERM LIABILITIES</u> | | |
| Paycheck Protection Program note payable | - | 543,360 |
| Note payable | <u>700,000</u> | <u>700,000</u> |
| | <u>700,000</u> | <u>1,243,360</u> |
| TOTAL LIABILITIES | 946,703 | 1,417,849 |
| <u>NET ASSETS</u> | | |
| Without donor restrictions | 1,382,791 | 677,542 |
| With donor restrictions | <u>50,000</u> | <u>75,000</u> |
| TOTAL NET ASSETS | <u>1,432,791</u> | <u>752,542</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,379,494</u> | <u>\$ 2,170,391</u> |

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

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

| | Year ended June 30, | | | |
|---|-----------------------------|-------------------------|---------------------|-------------------|
| | 2021 | | | 2020 |
| | Without donors restrictions | With donor restrictions | Total | Total |
| Revenue, gains and other support: | | | | |
| Public school district: | | | | |
| Resident student enrollment | \$ 5,424,693 | \$ - | \$ 5,424,693 | \$ 3,601,006 |
| Students with disabilities | 967,997 | - | 967,997 | 780,493 |
| Grants and contracts: | | | | |
| State and local | 17,969 | - | 17,969 | 17,452 |
| Federal - Title and IDEA | 238,856 | - | 238,856 | 168,070 |
| Federal - other | 152,485 | - | 152,485 | 57,064 |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | 6,802,000 | - | 6,802,000 | 4,624,085 |
| Expenses | | | | |
| Program services: | | | | |
| Regular education | 4,469,509 | - | 4,469,509 | 3,054,129 |
| Special education | 1,930,758 | - | 1,930,758 | 1,659,066 |
| Total program services | 6,400,267 | - | 6,400,267 | 4,713,195 |
| Management and general | 572,935 | - | 572,935 | 295,424 |
| Fundraising | 77,174 | - | 77,174 | 42,623 |
| TOTAL OPERATING EXPENSES | 7,050,376 | - | 7,050,376 | 5,051,242 |
| DEFICIT FROM SCHOOL OPERATIONS | (248,376) | - | (248,376) | (427,157) |
| Support and other revenue | | | | |
| Contributions: | | | | |
| Individuals | 279,456 | - | 279,456 | 216,444 |
| Corporations | 51,500 | 50,000 | 101,500 | 250,000 |
| Interest income | 7 | - | 7 | 3 |
| Paycheck Protection Program loan forgiveness | 543,360 | - | 543,360 | - |
| Miscellaneous income | 4,302 | - | 4,302 | - |
| Net assets released from restriction | 75,000 | (75,000) | - | - |
| TOTAL SUPPORT AND OTHER REVENUE | 953,625 | (25,000) | 928,625 | 466,447 |
| INCREASE (DECREASE) IN NET ASSETS | 705,249 | (25,000) | 680,249 | 39,290 |
| Net assets at beginning of year | 677,542 | 75,000 | 752,542 | 713,252 |
| NET ASSETS AT END OF YEAR | \$ 1,382,791 | \$ 50,000 | \$ 1,432,791 | \$ 752,542 |

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

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021
 (With Comparative Totals for 2020)

| | Year ended June 30, 2021 | | | | | | | | |
|--|--------------------------|----------------------|--------------|--------------|-------------|------------------------------|------------|--------------|--------------|
| | No. of Positions | Program Services | | | Fundraising | Management and General | Sub-total | Total | 2020 |
| Regular Education | | Special Education | Sub-total | | | | | | |
| Personnel services costs: | | | | | | | | | |
| Administrative staff personnel | 12 | \$ 626,489 | \$ 360,369 | \$ 986,858 | \$ 53,494 | \$ 259,036 | \$ 312,530 | \$ 1,299,388 | \$ 857,608 |
| Instructional personnel | 39 | 2,246,343 | 916,561 | 3,162,904 | - | - | - | 3,162,904 | 2,155,426 |
| Total salaries and staff | 51 | 2,872,832 | 1,276,930 | 4,149,762 | 53,494 | 259,036 | 312,530 | 4,462,292 | 3,013,034 |
| | | | | | | | - | | |
| Fringe benefits & payroll taxes | | 474,112 | 214,783 | 688,895 | 9,267 | 44,872 | 54,139 | 743,034 | 513,853 |
| Retirement | | 67,471 | 30,566 | 98,037 | 1,319 | 6,386 | 7,705 | 105,742 | 60,720 |
| Financial management services | | - | - | - | - | 106,671 | 106,671 | 106,671 | 100,838 |
| Legal services | | 438 | 199 | 637 | 9 | 42 | 51 | 688 | 413 |
| Accounting/Audit services | | - | - | - | - | 20,100 | 20,100 | 20,100 | 24,000 |
| Other Purchased/Professional/ Consulting Services | | 45,304 | 20,523 | 65,827 | 885 | 76,755 | 77,640 | 143,467 | 147,244 |
| Repairs and maintenance | | 9,517 | 4,312 | 13,829 | 186 | 901 | 1,087 | 14,916 | 1,177 |
| Insurance | | 39,292 | 17,801 | 57,093 | 768 | 3,719 | 4,487 | 61,580 | 40,782 |
| Utilities | | 35,332 | 16,007 | 51,339 | 691 | 3,344 | 4,035 | 55,374 | 51,502 |
| Supplies/Materials | | 49,409 | 13,468 | 62,877 | - | - | - | 62,877 | 126,242 |
| Equipment/Furnishings | | 36,698 | 11,782 | 48,480 | 193 | 933 | 1,126 | 49,606 | 92,293 |
| Staff development & travel | | 82,814 | 37,516 | 120,330 | 1,619 | 7,838 | 9,457 | 129,787 | 152,072 |
| Marketing/Recruitment | | 40,399 | 14,222 | 54,621 | 348 | 1,684 | 2,032 | 56,653 | 47,573 |
| Technology | | 54,140 | 24,527 | 78,667 | 1,058 | 5,124 | 6,182 | 84,849 | 57,140 |
| Food service | | 8,953 | 4,056 | 13,009 | 175 | 847 | 1,022 | 14,031 | 31,489 |
| Student services | | 286,343 | 78,053 | 364,396 | - | - | - | 364,396 | 253,663 |
| Office expense | | 52,588 | 23,824 | 76,412 | 1,028 | 4,977 | 6,005 | 82,417 | 29,820 |
| Depreciation and amortization | | 259,464 | 117,543 | 377,007 | 5,071 | 24,557 | 29,628 | 406,635 | 258,839 |
| Other | | 54,403 | 24,646 | 79,049 | 1,063 | 5,149 | 6,212 | 85,261 | 48,548 |
| | | \$ 4,469,509 | \$ 1,930,758 | \$ 6,400,267 | \$ 77,174 | \$ 572,935 | \$ 650,109 | \$ 7,050,376 | \$ 5,051,242 |

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

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

| | <u>Year ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 680,249 | \$ 39,290 |
| Adjustments to reconcile change in net assets to net cash provided from operating activities: | | |
| Depreciation and amortization | 406,635 | 258,839 |
| Paycheck Protection Program loan forgiveness | (543,360) | - |
| Changes in certain assets and liabilities affecting operations: | | |
| Grants and contracts receivable | (194,086) | (60,522) |
| Prepaid expenses | (39,086) | (26,572) |
| Accounts payable and accrued expenses | 68,372 | 71,191 |
| Deferred revenue | 3,842 | - |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | 382,566 | 282,226 |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | (502,310) | (430,180) |
| Security deposit | (75,000) | - |
| NET CASH USED FOR INVESTING ACTIVITIES | (577,310) | (430,180) |
| <u>CASH FLOWS - FINANCING ACTIVITIES</u> | | |
| Borrowings on Paycheck Protection Program note payable | - | 543,360 |
| Borrowings on note payable | - | 200,000 |
| NET CASH PROVIDED FROM FINANCING ACTIVITIES | - | 743,360 |
| NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH | (194,744) | 595,406 |
| Cash and restricted cash at beginning of year | 1,220,464 | 625,058 |
| CASH AND RESTRICTED CASH AT END OF YEAR | <u>\$ 1,025,720</u> | <u>\$ 1,220,464</u> |

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

| | <u>Year ended June 30,</u> | |
|--|----------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u> | | |
| Interest paid | <u>\$ -</u> | <u>\$ -</u> |
| Reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows: | | |
| Cash | \$ 950,209 | \$ 1,170,460 |
| Cash in escrow | <u>75,511</u> | <u>50,004</u> |
| | <u>\$ 1,025,720</u> | <u>\$ 1,220,464</u> |

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

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(with Comparative Totals for 2020)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Urban Assembly Charter School for Computer Science (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School provides a full range of educational services appropriate for grades nine through twelve. On August 29, 2016, the Board of Trustees of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. The term expires July 31, 2023.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities and net assets of the Charter School are reported in the following self-balancing net asset groups:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had \$50,000 of net assets with donor restrictions at June 30, 2021. The Charter School had \$75,000 of net assets with donor restrictions at June 30, 2020.

Revenue and support recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

The following table summarizes contract balances at their respective statement of financial position dates:

| | <u>June 30,</u> | | |
|---------------------------------|-----------------|-------------|-------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
| Grants and contracts receivable | \$ 5,316 | \$ 43,615 | \$ - |

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants and contracts receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. The Charter School received cost-reimbursement grants of approximately \$41,440 and \$6,058 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$75,511 at and \$50,004 at June 30, 2021 and 2020, respectively.

Grants and contracts receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2021 or 2020.

Property and equipment

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

Deferred revenue

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

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. In addition, the Charter School received donated transportation services that was provided for the students from the local district. The Charter School was unable to determine a value for these services.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2018 through June 30, 2021 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruitment costs approximated \$56,700 and \$47,600 for the years ended June 30, 2021 and 2020, respectively.

Use of estimates in the preparation of financial statements

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

New accounting pronouncements

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020 to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School is currently evaluating the provisions of this update to determine the impact it will have on the Charter School’s financial statements.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Comparatives for the period ended June 30, 2020

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Charter School's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 21, 2021, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash.

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, comprise the following at June 30, 2021 and 2020:

| | <u>June 30,</u> | |
|--|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Cash | \$ 950,209 | \$ 1,170,460 |
| Grants and contracts receivable | <u>292,640</u> | <u>98,554</u> |
| Total financial assets available within one year | 1,242,849 | 1,269,014 |
| Less: | | |
| Amounts unavailable for general expenditures within one year due to: | | |
| Restricted by donors with purpose restrictions | <u>(50,000)</u> | <u>(75,000)</u> |
| Total financial assets available to management for general expenditures within one year | <u>\$ 1,192,849</u> | <u>\$ 1,194,014</u> |

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 consisted of the following:

| | June 30, | |
|--|-------------------|-------------------|
| | 2021 | 2020 |
| Leasehold improvements | \$ 853,515 | \$ 725,805 |
| Furniture and fixtures | 601,228 | 404,444 |
| Computer equipment | <u>293,829</u> | <u>116,013</u> |
| | 1,748,572 | 1,246,262 |
| Less accumulated depreciation and amortization | <u>829,593</u> | <u>422,958</u> |
| | <u>\$ 918,979</u> | <u>\$ 823,304</u> |

NOTE D: NOTE PAYABLE

In June 2018, the Charter School entered into an unsecured loan agreement with a lender to borrow up to \$700,000 through October 31, 2019. The loan is payable in two equal installments of principal plus all accrued and unpaid interest at 2.5%, due July 15, 2022 and July 15, 2023. At June 30, 2021 and 2020, there was \$700,000 outstanding.

NOTE E: NET ASSETS

Net assets with donor restrictions consisted of the following:

| | June 30, | |
|-------------------------|------------------|------------------|
| | 2021 | 2020 |
| Summer Scholarship fund | \$ 50,000 | \$ 50,000 |
| CS++ Program | - | 20,000 |
| Design competition | <u>-</u> | <u>5,000</u> |
| | <u>\$ 50,000</u> | <u>\$ 75,000</u> |

Net assets without donor restrictions are as follows:

| | June 30, | |
|---|---------------------|-------------------|
| | 2021 | 2020 |
| Undesignated | \$ 1,163,812 | \$ 554,238 |
| Invested in property and equipment, net of related debt | <u>218,979</u> | <u>123,304</u> |
| | <u>\$ 1,382,791</u> | <u>\$ 677,542</u> |

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE F: SCHOOL FACILITY

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to the Charter School at no charge under a verbal agreement. Total approximate square footage usage as of June 30, 2021 and 2020 was 20,000 square feet of classroom space and access to an additional 20,000 square feet consisting of an auditorium, gym, and cafeteria.

In June 2021, the Charter School signed a lease for facilities from a third party through June 2025. Monthly rent expense of approximately \$37,500 commences July 1, 2021.

The future minimum payments required under the agreement is as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2022 | \$ 450,000 |
| 2023 | 450,000 |
| 2024 | 475,000 |
| 2025 | <u>500,000</u> |
| | <u>\$ 1,875,000</u> |

In conjunction with this facility lease, the Charter School paid a security deposit of \$75,000 which is included in security deposits on the accompanying statement of financial position at June 30, 2021.

NOTE G: CONTINGENCY

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

NOTE H: CONCENTRATIONS

At June 30, 2021 and 2020 approximately 97% and 53%, respectively, of grants and contracts receivable were due from federal agencies relating to certain grants.

For the years ended June 30, 2021 and 2020, approximately 94% and 95%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE I: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees are eligible to participate in the Plan after attaining the age of 21 and three months of service. Employees can make pretax contributions up to a maximum of 100% of their annual compensation to the Plan, subject to IRS restrictions. The Charter School will make a safe harbor contribution equal to 3% the employee's annual compensation. The Charter School may also contribute a discretionary non-matching contribution to the Plan. The Charter School made a safe harbor contribution of approximately \$105,700 and \$60,700 to the Plan for the years ended June 30, 2021 and 2020, respectively. The Charter School did not make an additional discretionary non-matching contribution for either of the years ended June 30, 2021 and 2020.

NOTE J: OPERATING LEASE

The Charter School entered into a non-cancelable lease agreement for office equipment expiring May 2023. The future minimum payments on this agreement are approximately as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-----------------|
| 2022 | \$ 3,600 |
| 2023 | <u>3,300</u> |
| | <u>\$ 6,900</u> |

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE L: COMMITMENTS

In December 2017, the Charter School entered into an agreement with The Urban Assembly, Inc. to provide on-going school support and professional development. The agreement continues through June 30, 2023. The future minimum payments on this agreement are approximately \$60,000 annually.

Total expense for each of the years ended June 30, 2021 and 2020 was \$60,000.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE M: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, in May 2020 the Charter School applied for and was approved by a bank for a loan of \$543,360 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 5 years and an interest rate of 1%. The loan had the potential for forgiveness provided certain requirements are met by the Charter School. The loan was funded on May 1, 2020 and was reported as note payable in the accompanying statement of financial position at June 30, 2020. On June 24, 2021, the loan was forgiven in full by the Small Business Administration, which is reported as Paycheck Protection Program loan forgiveness on the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$87,000 of revenue relative to ESSER grants during the year ended June 30, 2021.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Urban Assembly Charter School for Computer Science

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Urban Assembly Charter School for Computer Science, which comprise the statement of financial position as of June 30, 2021 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Urban Assembly Charter School for Computer Science's internal control over financial reporting (internal control) to determine the audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Urban Assembly Charter School for Computer Science's internal control. Accordingly, we do not express an opinion on the effectiveness of Urban Assembly Charter School for Computer Science'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Urban Assembly Charter School for Computer Science'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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 21, 2021

**URBAN ASSEMBLY CHARTER SCHOOL FOR
COMPUTER SCIENCE**

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2021



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 21, 2021

Finance Committee
Urban Assembly Charter School for Computer Science

We have audited the financial statements of Urban Assembly Charter School for Computer Science as of June 30, 2021, and have issued our report thereon dated October 21, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 1, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Urban Assembly Charter School for Computer Science solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced outsourced finance team who reviews draft financial statements prior to issuance and accepts responsibility for them.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Urban Assembly Charter School for Computer Science is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocations of costs for the statement of functional expenses and the collectability of grants receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Urban Assembly Charter School for Computer Science's financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

We are pleased to report we encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material either individually or in the aggregate, to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Urban Assembly Charter School for Computer Science's financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Urban Assembly Charter School for Computer Science, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Urban Assembly Charter School for Computer Science's auditors.

Internal Control Matters

We did not identify any deficiencies in internal control that we considered to be material weaknesses.

* * * * *

Should you desire further information concerning these matters, Michelle Cain or Kate VanBramer will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and management of Urban Assembly Charter School for Computer Science and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP