
ACADEMIC LEADERSHIP CHARTER SCHOOL

Financial Statements

For the years ended June 30, 2019 and 2018

ACADEMIC LEADERSHIP CHARTER SCHOOL

Financial Statements

June 30, 2019 and 2018

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Independent Auditors' Report

To the Board of Trustees of
Academic Leadership Charter School
New York, New York

Report on the financial statements

We have audited the accompanying financial statements of Academic Leadership Charter School, which comprise the statements of financial position as of June 30, 2019 and 2018, 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 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 Academic Leadership Charter School as of June 30, 2019 and 2018, 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.

Other reporting required by government auditing standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 on our consideration of Academic Leadership Charter School 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 the 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 Academic Leadership Charter School's internal control over financial reporting and compliance.

NChing LLP

New York, New York
October 29, 2019

ACADEMIC LEADERSHIP CHARTER SCHOOL**Statements of Financial Position**

As of June 30,

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 23,964,961	\$ 19,559,344
Grants receivable	439,926	302,401
Total current assets	24,404,887	19,861,745
Property and equipment, net - Note 5	4,094,686	3,845,287
Other assets		
Restricted cash	77,183	76,124
Total Assets	<u>\$ 28,576,756</u>	<u>\$ 23,783,156</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 395,120	\$ 268,738
Accrued salaries and other payroll-related expenses - Note 6	323,663	440,220
Refundable advances	1,975	36,695
Total current liabilities	720,758	745,653
Net assets without donor restrictions		
Undesignated	27,778,815	22,961,379
Reserve - contingency	77,183	76,124
Total net assets without donor restrictions	27,855,998	23,037,503
Total liabilities and net assets without donor restrictions	<u>\$ 28,576,756</u>	<u>\$ 23,783,156</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL**Statements of Activities**

For the years ended June 30,

<u>Operating revenue and other support</u>	<u>2019</u>	<u>2018</u>
State and local per pupil operating revenue		
General education	\$ 7,616,230	\$ 7,545,393
Special education	301,950	372,407
	<hr/>	<hr/>
Total state and local per pupil operating revenue	7,918,180	7,917,800
Grants, contracts and other support		
Federal grants	589,386	460,714
State and local grants	277,275	217,972
Interest and other income	385,940	181,411
	<hr/>	<hr/>
Total operating revenue and other support	9,170,781	8,777,897
<u>Expenses</u>		
Program expenses		
Regular education	3,787,518	3,737,656
Special education	133,364	160,419
	<hr/>	<hr/>
Total program expenses	3,920,882	3,898,075
Supporting services		
Management and general	431,404	433,151
	<hr/>	<hr/>
Total program and supporting services expenses	4,352,286	4,331,226
Change in net assets	4,818,495	4,446,671
Net assets without restrictions - beginning of year	23,037,503	18,590,832
	<hr/>	<hr/>
Net assets without restrictions - end of year	<u>\$ 27,855,998</u>	<u>\$ 23,037,503</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2019

	Program expenses			Supporting services	Total Program and Supporting services
	Regular education	Special education	Total programs	Management and general	
Salaries					
Instructional personnel	\$ 2,387,518	\$ 83,226	\$ 2,470,744	\$ 87,267	\$ 2,558,011
Administrative staff personnel	-	-	-	145,196	145,196
Total salaries	<u>2,387,518</u>	<u>83,226</u>	<u>2,470,744</u>	<u>232,463</u>	<u>2,703,207</u>
Operating expenses					
Payroll taxes and fringe benefits	631,880	22,184	654,064	61,542	715,606
Professional and consulting	-	-	-	83,722	83,722
Staff development	6,499	258	6,757	-	6,757
Textbooks and curriculum	201,536	7,983	209,519	-	209,519
Communication and technology	43,026	1,510	44,536	4,191	48,727
Equipment rental and lease	61,183	2,147	63,330	5,959	69,289
Student and staff recruiting	267,375	9,387	276,762	26,041	302,803
Transportation	10,629	421	11,050	-	11,050
Supplies and materials	33,002	1,159	34,161	3,214	37,375
Repairs and maintenance	8,263	289	8,552	805	9,357
Administrative	39,311	1,384	40,695	3,991	44,686
Insurance	40,269	1,414	41,683	3,922	45,605
Depreciation	57,027	2,002	59,029	5,554	64,583
Total operating expenses	<u>1,400,000</u>	<u>50,138</u>	<u>1,450,138</u>	<u>198,941</u>	<u>1,649,079</u>
Total expenses	<u>\$ 3,787,518</u>	<u>\$ 133,364</u>	<u>\$ 3,920,882</u>	<u>\$ 431,404</u>	<u>\$ 4,352,286</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2018

	Program expenses			Supporting services	Total Program and Supporting services
	Regular education	Special education	Total programs	Management and general	
Salaries					
Instructional personnel	\$ 2,622,341	\$ 64,276	\$ 2,686,617	\$ 89,052	\$ 2,775,669
Administrative staff personnel	-	-	-	143,095	143,095
Total salaries	<u>2,622,341</u>	<u>64,276</u>	<u>2,686,617</u>	<u>232,147</u>	<u>2,918,764</u>
Operating expenses					
Payroll taxes and fringe benefits	584,982	55,200	640,182	76,707	716,889
Professional and consulting	-	-	-	77,440	77,440
Staff development	12,099	703	12,802	-	12,802
Textbooks and curriculum	210,198	12,210	222,408	-	222,408
Communication and technology	33,789	3,188	36,977	4,431	41,408
Equipment rental and lease	58,680	5,537	64,217	7,695	71,912
Student and staff recruiting	40,602	3,831	44,433	5,324	49,757
Supplies and materials	26,419	2,493	28,912	3,464	32,376
Repairs and maintenance	5,219	493	5,712	684	6,396
Administrative	42,167	2,942	45,109	11,994	57,103
Insurance	32,798	3,095	35,893	4,301	40,194
Depreciation	68,362	6,451	74,813	8,964	83,777
Total operating expenses	<u>1,115,315</u>	<u>96,143</u>	<u>1,211,458</u>	<u>201,004</u>	<u>1,412,462</u>
Total expenses	<u>\$ 3,737,656</u>	<u>\$ 160,419</u>	<u>\$ 3,898,075</u>	<u>\$ 433,151</u>	<u>\$ 4,331,226</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL**Statements of Cash Flows**

For the years ended June 30,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 4,818,495	\$ 4,446,671
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	64,583	83,777
Changes in operating assets and liabilities		
Grants receivable	(137,525)	189,165
Prepaid expenses	-	33,376
Accounts payable and accrued expenses	126,382	45,674
Accrued payroll and benefits	(116,557)	80,512
Security deposits	-	18,727
Refundable advances	(34,720)	36,695
Net cash provided by operating activities	<u>4,720,658</u>	<u>4,934,597</u>
Cash flows used in investing activities		
Restricted cash	(1,059)	(636)
Acquisition of fixed assets	(313,982)	(267,219)
Net cash used in investing activities	<u>(315,041)</u>	<u>(267,855)</u>
Net increase in cash and cash equivalents	4,405,617	4,666,742
Cash and cash equivalents - beginning of year	<u>19,559,344</u>	<u>14,892,602</u>
Cash and cash equivalents - end of year	<u>\$ 23,964,961</u>	<u>\$ 19,559,344</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2019 and 2018

Note 1 Organization

Academic Leadership Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Bronx, New York. The School was granted a provisional charter on February 10, 2009, which was renewed on May 1, 2018 for an additional five years. The School served from Kindergarten through seventh grade in 2015 and added eighth grade in 2016. The School provides a broad-based education for all students, focusing on developing good character as well as comprehension and analytical skills across all disciplines, ranging from the fundamentals of reading and mathematics to fine arts, physical education, drama, and dance.

Note 2 Summary of significant accounting policies

Basis of presentation and use of estimates. The financial statements have been prepared in conformity 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. Actual results could differ from those estimates.

Basis of presentation. The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and cash equivalents. The School considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

ACADEMIC LEADERSHIP CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2019 and 2018

Note 2 Summary of significant accounting policies – (continued)

Revenue recognition. The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Grants receivable. Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$439,926 and \$302,401 at June 30, 2019 and 2018, respectively. There is no allowance recorded at June 30, 2019, as all amounts are deemed collectible.

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$500. Items with an acquisition cost of less than \$500 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful life</u>
Furniture and fixtures	7 years
Computer, software and office equipment	3 years

Reclassifications. Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. The reclassification had no effect on 2018 total assets, liabilities and net assets.

ACADEMIC LEADERSHIP CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2019 and 2018

Note 2 Summary of significant accounting policies – (continued)

Restricted cash. Under the provisions of its charter, the School established an escrow amount to pay for legal and audit expenses that would be associated with dissolution, should such event occur.

Refundable advances. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

Donated goods and services. The School is located in two New York City Department of Education facility's and utilizes a combined total of approximately 156,846 square feet for both facilities at no charge. In addition, the School received donated transportation and food service services from the local district. The School was unable to determine a value for these services.

The School shares space with a New York City public school. The School is not responsible for services other than the security needed after public school hours.

Income taxes. The School is tax-exempt under Section 501 (c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements.

The School is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2016.

Functional expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, administrative and fund raising. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Professional and consulting	Time and effort
Insurance	Square footage
Repairs and maintenance	Time and effort

ACADEMIC LEADERSHIP CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2019 and 2018

Note 2 Summary of significant accounting policies – (continued)

Change in accounting principle. On August 18, 2016, FABS issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for Profit Entities. The update addresses the complexity and understandability of net asset classification, efficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Note 3 Retirement plan

The School offers a 401(k) plan for all full-time employees after 90 days. Participation in the plan is voluntary. Employees can make pretax contributions. Up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The School matches 100% of an employee's contribution up to 5% of the employee's annual compensation. For the years ended June 30, 2019, and 2018, the School's matching contribution were \$74,223 and \$77,000 respectively. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries

Note 4 Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, are:

Financial assets:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 23,964,961	\$ 19,559,344
Grants receivable	<u>439,926</u>	<u>302,401</u>
Amount available for general expenditures within one year	<u>\$ 24,404,887</u>	<u>\$ 19,861,745</u>

ACADEMIC LEADERSHIP CHARTER SCHOOL**Notes to the Financial Statements**

June 30, 2019 and 2018

Note 5 Property, plant and equipment

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

	<u>2019</u>	<u>2018</u>
Land	\$ 3,259,800	\$ 3,259,800
Construction-in-progress	768,647	464,696
Furniture and fixtures	205,048	205,048
Equipment	680,375	670,343
Software	<u>10,288</u>	<u>10,288</u>
	4,924,158	4,610,175
Less, accumulated depreciation	<u>(829,472)</u>	<u>(764,888)</u>
	<u>\$ 4,094,686</u>	<u>\$ 3,845,287</u>

Land relates to a parcel of land on 356-362 East 139th Street in the Bronx, New York, which will be used to construct the School's future educational facility.

Depreciation expense for the years ended June 30, 2019 and 2018 were \$ 64,583 and \$ 83,777, respectively.

Construction-in-progress at June 30, 2019 and 2018 consist of costs incurred for architecture, engineering, and professional fees related to the construction of the School's future education facility that is not yet in service. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

Note 6 Accrued salaries and other payroll-related expenses

Accrued salaries and other payroll-related expenses consist of amounts earned by the staff during the school year which are paid out over the summer months. As of June 30, 2019 and 2018, total accrued salaries and other payroll-related expenses amounted to \$323,663 and \$440,220 respectively.

ACADEMIC LEADERSHIP CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2019 and 2018

Note 7 Concentrations of risk

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The management of the school believes it is not exposed to significant credit risk on cash and cash equivalents.

The School received approximately 90% and 92% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the year ended June 30, 2019 and 2018, respectively. Additionally, the School's grants receivable consists of approximately 100% and 68%, respectively, from the New York State Department of Education.

Note 8 Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Note 9 Subsequent events

Management has evaluated its June 30, 2019 financial statements for subsequent events through October 29, 2019, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

Independent Auditors' 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

To the Board of Trustees of
Academic Leadership Charter School
New York, New York

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 Academic Leadership Charter School, which comprise the statement of financial position as of June 30, 2019, 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 29, 2019.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered Academic Leadership Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Academic Leadership Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Academic Leadership Charter 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 Academic Leadership Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York
October 29, 2019