

AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
AND CONSOLIDATING SUPPLEMENTARY
INFORMATION
YEARS ENDED JUNE 30, 2017 AND 2016

AMBER CHARTER SCHOOL AND AFFILIATES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 3
Consolidated Financial Statements	
Statements of financial position	4
Statements of activities	5
Statements of functional expenses	6 - 7
Statements of cash flows	8
Notes to consolidated financial statements	9 - 15
Supplementary Information	
Consolidating statements of financial position	16 - 17
Consolidating statements of activities	18 - 19
Consolidating statements of functional expenses	20 - 21
Schedule of expenditures of federal awards - for the year ended June 30, 2017	22
Notes to schedule of expenditures of federal awards	23
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 <i>Government Auditing Standards</i>	24 - 25
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	26 - 27
Schedule of findings and questioned costs - for the year ended June 30, 2017	28 - 29

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Amber Charter School and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Amber Charter School and Affiliates (collectively referred to as the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amber Charter School and Affiliates as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information contained in the accompanying consolidating statements of financial position as of June 30, 2017 and 2016, and the consolidating statements of activities and functional expenses for the years ended June 30, 2017 and 2016 on pages 16 - 29 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Information

Our 2017 audit was conducted for the purpose of forming an opinion on the 2017 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 2017 consolidated 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 2017 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 consolidated financial statements or to the 2017 consolidated 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 2017 consolidated 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 31, 2017, on our consideration of Amber Charter School and Affiliates's internal control over financial reporting and on our tests of their 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 Amber Charter School and Affiliates's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
October 31, 2017

AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Current assets:		
Cash	\$ 3,366,744	\$ 3,424,738
Grants and contracts receivable	516,236	463,909
Other receivables	301,466	142,202
Prepaid expenses and other current assets	124,050	30,344
Total current assets	4,308,496	4,061,193
Property and equipment, net	4,271,211	3,953,362
TOTAL ASSETS	\$ 8,579,707	\$ 8,014,555
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 598,345	\$ 372,074
Accrued payroll	699,595	526,289
Refundable advances	10,295	10,390
Current maturities of long-term debt	57,790	2,244,894
Total current liabilities	1,366,025	3,153,647
Long-term liabilities:		
Long-term debt, less current maturities	2,098,753	-
Total liabilities	3,464,778	3,153,647
Commitments and contingencies (Notes 3, 6, 8 and 12)		
Net assets:		
Unrestricted	5,114,929	4,759,240
Temporarily restricted	-	101,668
Total net assets	5,114,929	4,860,908
TOTAL LIABILITIES AND NET ASSETS	\$ 8,579,707	\$ 8,014,555

See accompanying notes to consolidated financial statements.

AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Changes in unrestricted net assets:		
Revenue and support:		
Public school district:		
Per student funding	\$ 8,883,854	\$ 6,621,963
After school program:		
After school income	147,249	147,195
Grants and contracts:		
Federal, state and local	1,517,050	802,050
Contributions:		
Foundations	10,000	25,000
Individuals	9,021	-
Corporations	4,597	1,295
Net assets released from restrictions (see below)	101,668	148,332
Fundraising event revenue	159,762	69,728
Interest income	-	124
Rental income	16,350	34,814
In-kind donations of goods	-	3,325
Miscellaneous income	983	17,950
Total revenue and support	10,850,534	7,871,776
Expenses:		
Program services:		
Education	8,539,460	6,133,472
Supporting services:		
Management and general	1,901,959	1,337,806
Fund-raising	626	35,730
Total supporting services	1,902,585	1,373,536
Cost of direct benefit to donors	52,800	28,228
Total expenses	10,494,845	7,535,236
Change in unrestricted net assets	355,689	336,540
Changes in temporarily restricted net assets:		
Contributions	-	250,000
Net assets released from restrictions (see above)	(101,668)	(148,332)
Total changes in temporarily restricted net assets	(101,668)	101,668
Changes in net assets	254,021	438,208
Net assets - beginning	4,860,908	4,422,700
NET ASSETS - ENDING	\$ 5,114,929	\$ 4,860,908

See accompanying notes to consolidated financial statements.

AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services			Direct Benefit Cost to Donors	Total
	Education	Management and General	Fund- raising	Subtotal		
Personnel service costs:						
Administrative staff personnel	\$ 741,212	\$ 1,236,811	\$ -	\$1,236,811	\$ -	\$ 1,978,023
Instructional personnel	3,366,913	-	-	-	-	3,366,913
Non-instructional personnel	<u>192,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,549</u>
Total personnel service costs	4,300,674	1,236,811	-	1,236,811	-	5,537,485
Fringe benefits and payroll taxes	1,380,038	350,919	-	350,919	-	1,730,957
Interest expense	146,130	6,089	-	6,089	-	152,219
Accounting and audit services	-	30,095	-	30,095	-	30,095
Professional and consulting services	405,645	93,248	626	93,874	-	499,519
Security	8,098	-	-	-	-	8,098
Repairs and maintenance	66,919	3,451	-	3,451	-	70,370
Insurance	97,486	1,076	-	1,076	-	98,562
Utilities	124,495	6,747	-	6,747	-	131,242
Supplies and materials	279,987	-	-	-	-	279,987
Equipment rental lease	48,927	2,344	-	2,344	-	51,271
Staff development	67,909	-	-	-	-	67,909
Technology	126,058	-	-	-	-	126,058
Food service	317,461	22,435	-	22,435	-	339,896
Student services	91,235	-	-	-	-	91,235
Office expenses	84,698	43,333	-	43,333	-	128,031
Depreciation	351,271	19,848	-	19,848	-	371,119
Travel	3,441	-	-	-	-	3,441
Dues and subscriptions	30,564	1,660	-	1,660	-	32,224
Postage	8,007	-	-	-	-	8,007
Show costs for special event	-	-	-	-	52,800	52,800
Payroll processing fees	107,276	-	-	-	-	107,276
Rent	417,105	31,395	-	31,395	-	448,500
Miscellaneous	<u>76,036</u>	<u>52,508</u>	<u>-</u>	<u>52,508</u>	<u>-</u>	<u>128,544</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$8,539,460</u>	<u>\$ 1,901,959</u>	<u>\$ 626</u>	<u>\$1,902,585</u>	<u>\$ 52,800</u>	<u>\$ 10,494,845</u>

See accompanying notes to consolidated financial statements.

AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Supporting Services			Direct Benefit Cost to Donors	Total
	Education	Management and General	Fund- raising	Subtotal		
Personnel service costs:						
Administrative staff personnel	\$ 491,632	\$ 859,635	\$ -	\$ 859,635	\$ -	\$ 1,351,267
Instructional personnel	2,846,214	-	-	-	-	2,846,214
Non-instructional personnel	<u>148,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,298</u>
Total personnel service costs	3,486,144	859,635	-	859,635	-	4,345,779
Fringe benefits and payroll taxes	1,102,397	238,961	-	238,961	-	1,341,358
Interest expense	165,178	6,882	-	6,882	-	172,060
Accounting and audit services	-	53,645	-	53,645	-	53,645
Professional and consulting services	440,923	61,611	35,730	97,341	-	538,264
Security	4,818	-	-	-	-	4,818
Repairs and maintenance	58,026	6,971	-	6,971	-	64,997
Insurance	74,675	51	-	51	-	74,726
Utilities	65,200	2,717	-	2,717	-	67,917
Supplies and materials	21,723	-	-	-	-	21,723
Equipment rental lease	37,313	1,555	-	1,555	-	38,868
Staff development	17,600	-	-	-	-	17,600
Technology	27,446	-	-	-	-	27,446
Food service	200,201	14,669	-	14,669	-	214,870
Student services	58,249	-	-	-	-	58,249
Office expenses	29,063	44,115	-	44,115	-	73,178
Depreciation	187,184	7,800	-	7,800	-	194,984
Travel	3,560	-	-	-	-	3,560
Dues and subscriptions	34,837	1,452	-	1,452	-	36,289
Postage	6,050	-	-	-	-	6,050
Catering for special event	-	-	-	-	28,228	28,228
Payroll processing fees	83,295	-	-	-	-	83,295
Miscellaneous	<u>29,590</u>	<u>37,742</u>	<u>-</u>	<u>37,742</u>	<u>-</u>	<u>67,332</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$6,133,472</u>	<u>\$ 1,337,806</u>	<u>\$ 35,730</u>	<u>\$1,373,536</u>	<u>\$ 28,228</u>	<u>\$ 7,535,236</u>

See accompanying notes to consolidated financial statements.

AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 254,021	\$ 438,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	371,119	194,984
Amortization of deferred financing costs	5,376	12,832
Write off of construction in progress	-	10,000
Interest paid at refinancing	12,557	-
Changes in operating assets and liabilities:		
Grants and contracts receivable	(52,327)	(267,978)
Other receivables	(159,264)	(22,942)
Prepaid expenses and other current assets	(93,706)	2,512
Accounts payable and accrued expenses	226,271	38,768
Accrued payroll	173,306	(207,654)
Refundable advances	(95)	7,635
Net cash provided by operating activities	<u>737,258</u>	<u>206,365</u>
Cash used in investing activities:		
Additions to property and equipment	<u>(688,968)</u>	<u>(111,055)</u>
Cash flows from financing activities:		
Principal repayments of long-term debt	(50,186)	(48,565)
Deferred financing costs	<u>(56,098)</u>	<u>-</u>
Net cash used in financing activities	<u>(106,284)</u>	<u>(48,565)</u>
Net increase (decrease) in cash	(57,994)	46,745
Cash - beginning	<u>3,424,738</u>	<u>3,377,993</u>
CASH - ENDING	<u>\$ 3,366,744</u>	<u>\$ 3,424,738</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 146,844</u>	<u>\$ 159,228</u>
Supplemental disclosure of non-cash financing activity:		
Additional loan obligations	\$ 43,155	\$ -
Loan costs financed	(30,598)	-
Interest paid at refinancing	<u>(12,557)</u>	<u>-</u>
Net cash	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

AMBER CHARTER SCHOOL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION

Pursuant to Article 56 of the New York State Education Law by the Board of Regents of the University of the State of New York, Amber Charter School (“Amber”) was incorporated on April 4, 2000, as a charter school valid for a term of five years. Charters are renewable every five years. On November 26, 2014, Amber received a renewal from the Board of Trustees of the State University of New York (“SUNY”) which expires on June 30, 2020.

Amber is a nonprofit, grade charter school located in the Upper Manhattan section of the city of New York, serving children in kindergarten through fifth grade. Founded by Community Association of Progressive Dominicans/Association Comunal de Dominicanos Progresistas, Amber was the first charter school in New York City created by a community-based organization. Amber's mission is to provide its students with an academically rigorous and well-rounded education, along with strong character development, that will enable them to prosper in top middle schools and beyond. To fulfill this mission, Amber provides students with the ability to demonstrate proficiency and/or distinction in all New York State Learning Standards. Amber's funding is primarily from per-student funding provided by New York City; additionally, Amber receives government grants and contracts and private contributions.

In August 2014, Amber received approval from SUNY for a second charter, expiring on July 31, 2020, to operate a new school, Amber Charter School II (“Amber II”), which was opened in September 2016. Amber II operates as a division of Amber. Amber II's funding is primarily from per-student funding provided by New York City; additionally Amber II receives government grants and contracts.

Amber Schools Foundation, Inc. (the "Foundation") is a 501(c)(3) not-for-profit organization incorporated under the laws of the state of New York in March 2014. The Foundation is established to support the functions of, and to assist in carrying out the educational and charitable purposes of, Amber and Amber II.

Amber is the sole member of 652 West 187th Street, LLC (“652 West”), 3120 Corlear Avenue, LLC (3120 Corlear”) and 220 East 106th Street, LLC (“220 East”) (collectively, the “LLC’s”), all limited liability companies established under the laws of the state of New York. 652 West and 3120 Corlear were established to hold lease agreements with unrelated parties for the property in which Amber II operates. Such properties were subsequently sublet to Amber. 220 East is a co-borrower with Amber on the mortgage payable and line of credit arrangement with Raza Development Fund, Inc. (“Raza”) (see Note 6).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Amber, the Foundation and the LLC’s (collectively referred to as the "Organization"). Amber maintains an economic interest and control in the Foundation through common board membership and the ability to elect the Foundation's board members. Amber is also the sole member of the LLC's. All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

In the accompanying consolidated statements of activities, the Organization distinguishes between contributions that increase permanently restricted net assets (subject to perpetual funding source imposed restrictions), temporarily restricted net assets (funding source-imposed restrictions have not been met) and unrestricted net assets (not subject to funding source-imposed restrictions or whose funding source-imposed restrictions have been met). At June 30, 2016, Amber had temporarily restricted net assets of \$101,668, which were released from restrictions during the year ended June 30, 2017. As of June 30, 2017 and 2016, there were no permanently restricted net assets.

AMBER CHARTER SCHOOL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncement

In 2017, the Organization adopted Financial Accounting Standards Board ("FASB"), Accounting Standards Update ("ASU") 2015-03 *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (the "Update"), retroactive to July 1, 2015. The Update requires that certain debt issuance costs formerly capitalized as deferred assets in the consolidated statements of financial position and amortized over the life of the associated debt now be presented in the consolidated statements of financial position as a reduction from the related outstanding debt. The Update also requires that amortization of the debt issuance costs be presented in the consolidated statement of activities as interest expense rather than depreciation and amortization.

In compliance with the Update, debt issuance costs, net of amortization, amounting to \$3,208 at June 30, 2016, and previously presented as deferred costs were reclassified to reduce outstanding long-term debt, thereby reducing previously reported total assets and total liabilities by \$3,208. In addition, \$12,832 previously included as amortization of debt issuance costs for the year ended June 30, 2016, was reclassified to interest expense in the accompanying consolidated statement of activities.

New Accounting Pronouncements

Effective for the year ending June 30, 2019, the Organization will be required to adopt FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-profit Entities*, which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about financial measures and liquidity risks, among other changes. The effect of adopting this new guidance on the Organization's consolidated financial statements and related disclosures has not yet been determined.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after June 30, 2020, with early adoption permitted. The effect of adopting ASU 2016-02 on the Organization's consolidated financial statements and related disclosures has not yet been determined.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consists primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less. The Organization had no cash equivalents at June 30, 2017 and 2016.

Property and Equipment

Property and equipment, when purchased, are recorded at cost. Contributions of property and equipment are recorded at their estimated fair values at the date of contribution. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Expenditures that increase the value or significantly extend the lives of assets are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

AMBER CHARTER SCHOOL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized as revenue when they are unconditionally promised and are reflected as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Grants and Refundable Advances

Revenue from the state and local governments resulting from the Organization's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Revenue from federal, state and local grants and contracts is recognized as revenue when qualifying expenditures are incurred. Amounts received in excess of fees earned on student enrollment and in excess of expenditures incurred are recognized as refundable advances.

Grants and Contracts Receivable

Grants and contracts receivable are stated at the amount management expects to collect. Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At June 30, 2017 and 2016, management determined that no allowance was required.

Donations-in-kind

Contributions of non-cash assets are recorded at their fair values at the date received. Contributions of services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended June 30, 2017, Amber did not received any donated goods. For the year ended June 30, 2016, Amber received donated goods amounting to \$3,325. These donations are reflected in "Revenue and support" and in "Management and general" in the accompanying consolidated statements of activities.

A number of unpaid volunteers have made or have agreed to make significant contributions of their time to the Organization. The value of such contributions is not reflected in the accompanying consolidated financial statements since these services do not require specialized skills.

Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Compensation expenses and certain other costs have been allocated by management between the programs and supporting services benefited.

Income Taxes

Amber and the Foundation qualify as charitable organizations as defined by Internal Revenue Code ("IRC") Section 501(c)(3) and, accordingly, are exempt from federal and state income taxes. As not-for-profit entities, Amber and the Foundation are subject to unrelated business income tax ("UBIT"), if applicable.

In accordance with FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*, Amber and the Foundation apply the "more likely than not" threshold to the recognition and derecognition of tax positions for their consolidated financial statements. Management has evaluated Amber's and the Foundation's tax positions and has concluded that there were no uncertain tax positions that qualified for either recognition or disclosure in the consolidated financial statements as of June 30, 2017.

Amber and the Foundation file tax returns in the U.S. federal jurisdiction and in the state of New York.

AMBER CHARTER SCHOOL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to the current year's presentation. The change in net assets previously reported for 2016 was not affected by these changes.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through October 31, 2017, the date on which these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

NOTE 3 - CONCENTRATION OF CREDIT RISKS

The Organization maintains cash balances with a financial institution in New York City that were routinely in excess of federal insurance limits during 2017 and 2016. The Organization has not experienced any losses in these accounts, and management does not believe the Organization is exposed to any significant credit risks with respect to cash.

Per student funding revenue from the New York State Education Department accounted for 83% of total revenue and support during both years ended June 30, 2017 and 2016.

Additionally, federal grantor agencies accounted for 100% and 94% of total grants and contracts receivable at June 30, 2017 and 2016, respectively.

NOTE 4 - FUNCTIONAL EXPENSE RATIO

The following ratio applies to functional expenses by category:

	<u>2017</u>	<u>2016</u>
Program services	82%	82%
Management and general	18%	18%
Fundraising	0%	0%

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 335,000	\$ 335,000
Building	3,123,388	3,123,388
Equipment, furniture and fixtures	1,609,336	1,306,082
Building improvements	2,064,977	1,680,593
Software	<u>55,860</u>	<u>54,530</u>
	7,188,561	6,499,593
Less: accumulated depreciation	<u>(2,917,350)</u>	<u>(2,546,231)</u>
Property and equipment, net	<u>\$ 4,271,211</u>	<u>\$ 3,953,362</u>

Depreciation expense for the years ended June 30, 2017 and 2016, amounted to \$371,119 and \$194,984, respectively.

AMBER CHARTER SCHOOL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 - LONG-TERM DEBT

Amber had a mortgage payable to Raza dated September 29, 2011, which was collateralized by Amber's real estate in the city of New York. The loan was payable in monthly installments of \$17,316, including interest at 7% per annum, with a balloon payment of approximately \$2,235,000 due at maturity on October 1, 2016. In October 2016, Amber entered into a loan modification agreement with Raza extending the loan's maturity to December 28, 2016 under the same terms. In conjunction with the mortgage, Amber was required to maintain a debt service coverage ratio of 1.15 to 1. Management was not aware of any violations of the covenant.

On December 30, 2016, Amber, with 220 East as a co-borrower, refinanced the mortgage with Raza by entering into an amended and restated loan and security agreement (the "Refinanced Loan"). The Refinanced Loan amounted to \$2,270,000, and is payable in monthly installments of \$16,315, including interest at 6.04% per annum, and matures on December 20, 2036. The loan is collateralized by Amber's real estate in the city of New York. In conjunction with the mortgage, Amber and 220 East will be required to maintain a fixed charge coverage ratio of 1.2 to 1 commencing June 30, 2018. At June 30, 2017, the amount outstanding under the mortgage agreement was \$2,241,071.

On December 30, 2016, Raza also granted Amber and 220 East a secured line of credit for a maximum amount of \$2,000,000, as further described in the loan agreement. Interest only is due monthly at the rate of 5.625% per annum on any outstanding borrowings; principal is due December 2018 upon maturity. Borrowings are secured by substantially all of Amber's assets. At June 30, 2017, Amber and 220 East had no borrowings outstanding under the line of credit.

The accompanying consolidated statements of financial position reflect the current and long-term portion of Amber's debt in accordance with the refinancing agreement. The maturities of the long-term debt are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 62,125
2019	65,983
2020	70,081
2021	74,433
2022	79,055
Thereafter	<u>1,889,394</u>
	2,241,071
Less: unamortized loan fees	<u>84,528</u>
	<u>\$ 2,156,543</u>

NOTE 7 - OPERATING RESERVE

During the year ended June 30, 2013, Amber's board of trustees adopted an operating reserve policy to ensure the stability of Amber's mission. The policy requires Amber to establish an operating reserve fund with a minimum of \$250,000. Such funds shall be segregated from Amber's operating cash and shall not be used for normal operations. As of June 30, 2017, Amber had not yet established the operating reserve fund. However, management believes that Amber has adequate liquidity available, and that the segregation and restriction of such funds will not have an adverse effect on the operations of the school.

AMBER CHARTER SCHOOL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 - LEASES

In April 2016, 652 West entered into a non-cancelable operating lease agreement with an unrelated third party for facility space. During the year ended June 30, 2017, rent under this lease agreement amounted to \$448,500. The lease, which expires in June 2018, requires rent of \$459,713 through the end of the lease term. This property was sublet to Amber to be used for the operations of Amber II. Amber, however, vacated the premises in September 2017, at which time the sublease with 652 West was terminated. 652 West is currently in negotiations with the landlord regarding the remaining rent due under the lease agreement.

In May 2017, 3120 Corlear entered into a 35-year non-cancelable operating lease agreement with an unrelated third party for facility space, commencing in August 2017 and expiring in July 2052. The property was sublet to Amber to be used for the operations of Amber II following the termination of the sublease agreement with 652 West. The sublease agreement commences in August 2017 and expires in July 2019. Rent under the lease and sublease agreements amount to \$833,102 for the initial year and \$924,593 per year thereafter.

Aggregate future minimum lease payments due under these lease agreements for each of the following five years, and in the aggregate thereafter, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 1,198,587
2019	827,540
2020	886,650
2021	945,760
2022	975,315
Thereafter	<u>32,986,019</u>
Total	<u>\$ 37,819,871</u>

Amber also leases various office equipment pursuant to non-cancelable operating leases that expire periodically through September 2019. For the years ended June 30, 2017 and 2016, total lease expense aggregated \$47,201 and \$37,872, respectively. Future minimum lease payments under these non-cancelable leases are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 16,956
2019	<u>1,774</u>
Total	<u>\$ 18,730</u>

AMBER CHARTER SCHOOL AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

	2017	2016
Amber Charter School II facility costs	\$ -	\$ 26,668
Amber Charter School II administrative costs	-	75,000
	\$ -	\$ 101,668

During the years ended June 30, 2017 and 2016, net assets were released from restrictions for the following purpose:

	2017	2016
Amber Charter School II facility costs	\$ 26,668	\$ 148,332
Amber Charter School II administrative costs	75,000	-
	\$ 101,668	\$ 148,332

NOTE 10 - RETIREMENT PLAN

Amber sponsors a defined contribution 403(b) retirement plan covering substantially all of its full-time employees. Contributions to the plan on behalf of non-union employees are at the discretion of the board of trustees. Contributions on behalf of union employees are in accordance with the union agreement, which specified a 5% contribution for both 2017 and 2016. For the years ended June 30, 2017 and 2016, Amber contributed \$161,001 and \$133,319, respectively, to the plan.

NOTE 11 - UNION AGREEMENT

At June 30, 2017, Amber had 91 employees, of which 40 are represented by a union. The union agreement covering these employees expires on August 31, 2018.

NOTE 12 - CONTINGENCIES

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 consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

SUPPLEMENTARY INFORMATION

AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	Combining			Amber Schools Foundation, Inc.	Eliminations	Consolidation
	Amber Charter School	Amber Charter School II	Subtotal			
<u>ASSETS</u>						
Current assets:						
Cash	\$ 1,728,374	\$ 127,696	\$ 1,856,070	\$ 1,568,668	\$ -	\$ 3,424,738
Grants and contracts receivable	463,909	-	463,909	-	-	463,909
Other receivables	142,202	-	142,202	-	-	142,202
Prepaid expenses and other current assets	<u>20,963</u>	<u>9,381</u>	<u>30,344</u>	<u>-</u>	<u>-</u>	<u>30,344</u>
Total current assets	<u>2,355,448</u>	<u>137,077</u>	<u>2,492,525</u>	<u>1,568,668</u>	<u>-</u>	<u>4,061,193</u>
Property and equipment, net	<u>3,953,362</u>	<u>-</u>	<u>3,953,362</u>	<u>-</u>	<u>-</u>	<u>3,953,362</u>
Other assets:						
Due from affiliates	1,545,177	-	1,545,177	-	(1,545,177)	-
Inter-company receivable/payable	<u>23,594</u>	<u>(23,594)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets	<u>1,568,771</u>	<u>(23,594)</u>	<u>1,545,177</u>	<u>-</u>	<u>(1,545,177)</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 7,877,581</u>	<u>\$ 113,483</u>	<u>\$ 7,991,064</u>	<u>\$ 1,568,668</u>	<u>\$ (1,545,177)</u>	<u>\$ 8,014,555</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 343,346	\$ 13,058	\$ 356,404	\$ 15,670	\$ -	\$ 372,074
Accrued payroll	526,289	-	526,289	-	-	526,289
Refundable advances	10,390	-	10,390	-	-	10,390
Current maturities of long-term debt	<u>2,244,894</u>	<u>-</u>	<u>2,244,894</u>	<u>-</u>	<u>-</u>	<u>2,244,894</u>
Total current liabilities	3,124,919	13,058	3,137,977	15,670	-	3,153,647
Other liabilities:						
Due to affiliate	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,545,177</u>	<u>(1,545,177)</u>	<u>-</u>
Total liabilities	<u>3,124,919</u>	<u>13,058</u>	<u>3,137,977</u>	<u>1,560,847</u>	<u>(1,545,177)</u>	<u>3,153,647</u>
Commitments and contingencies						
Net assets:						
Unrestricted	4,752,662	(1,243)	4,751,419	7,821	-	4,759,240
Temporarily restricted	<u>-</u>	<u>101,668</u>	<u>101,668</u>	<u>-</u>	<u>-</u>	<u>101,668</u>
Total net assets	<u>4,752,662</u>	<u>100,425</u>	<u>4,853,087</u>	<u>7,821</u>	<u>-</u>	<u>4,860,908</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,877,581</u>	<u>\$ 113,483</u>	<u>\$ 7,991,064</u>	<u>\$ 1,568,668</u>	<u>\$ (1,545,177)</u>	<u>\$ 8,014,555</u>

Note - The LLC's had no activity during the year ended June 30, 2016, and therefore, was not included in the consolidation.

See independent auditor's report.

AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Combining</u>					
	Amber Charter School	Amber Charter School II	Subtotal	Amber Schools Foundation, Inc.	Eliminations	Consolidation
Changes in unrestricted net assets:						
Revenue and support:						
Public school district:						
Per student funding	\$ 7,122,613	\$ 1,761,241	\$ 8,883,854	\$ -	\$ -	\$ 8,883,854
After school program:						
After school income	147,249	-	147,249	-	-	147,249
Grants and contracts:						
Federal, state and local	546,267	970,783	1,517,050	-	-	1,517,050
Contributions:						
Foundations	10,000	-	10,000	-	-	10,000
Individuals	550	-	550	8,471	-	9,021
Corporations	3,926	-	3,926	671	-	4,597
Net assets released from restrictions (see below)	-	101,668	101,668	-	-	101,668
Fundraising event revenue	-	-	-	159,762	-	159,762
Rental income	16,350	-	16,350	-	-	16,350
Miscellaneous income	<u>872</u>	<u>111</u>	<u>983</u>	<u>-</u>	<u>-</u>	<u>983</u>
Total revenue and support	<u>7,847,827</u>	<u>2,833,803</u>	<u>10,681,630</u>	<u>168,904</u>	<u>-</u>	<u>10,850,534</u>
Expenses:						
Program services:						
Education	<u>6,081,551</u>	<u>2,457,909</u>	<u>8,539,460</u>	<u>-</u>	<u>-</u>	<u>8,539,460</u>
Supporting services:						
Management and general	1,458,052	435,049	1,893,101	8,858	-	1,901,959
Fund-raising	<u>-</u>	<u>-</u>	<u>-</u>	<u>626</u>	<u>-</u>	<u>626</u>
Total supporting services	<u>1,458,052</u>	<u>435,049</u>	<u>1,893,101</u>	<u>9,484</u>	<u>-</u>	<u>1,902,585</u>
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,800</u>	<u>-</u>	<u>52,800</u>
Total expenses	<u>7,539,603</u>	<u>2,892,958</u>	<u>10,432,561</u>	<u>62,284</u>	<u>-</u>	<u>10,494,845</u>
Change in unrestricted net assets	<u>308,224</u>	<u>(59,155)</u>	<u>249,069</u>	<u>106,620</u>	<u>-</u>	<u>355,689</u>
Change in temporarily restricted net assets:						
Net assets released from restrictions (see above)	<u>-</u>	<u>(101,668)</u>	<u>(101,668)</u>	<u>-</u>	<u>-</u>	<u>(101,668)</u>
Changes in net assets	308,224	(160,823)	147,401	106,620	-	254,021
Net assets - beginning	<u>4,752,662</u>	<u>100,425</u>	<u>4,853,087</u>	<u>7,821</u>	<u>-</u>	<u>4,860,908</u>
NET ASSETS - ENDING	<u>\$ 5,060,886</u>	<u>\$ (60,398)</u>	<u>\$ 5,000,488</u>	<u>\$ 114,441</u>	<u>\$ -</u>	<u>\$ 5,114,929</u>

Note - 652 West's only activity was rental income from Amber and rental expenses. Intercompany rent was eliminated in the consolidation and rent expense to an unrelated party was reflected under Amber II in the statement above. 3120 Corlear had no activity during the year ended June 30, 2017, and therefore, was not included in the consolidation.

See independent auditor's report.

AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Combining			Amber Schools Foundation, Inc.	Eliminations	Consolidation
	Amber Charter School	Amber Charter School II	Subtotal			
Changes in unrestricted net assets:						
Revenue and support:						
Public school district:						
Per student funding	\$ 6,621,963	\$ -	\$ 6,621,963	\$ -	\$ -	\$ 6,621,963
After school program:						
After school income	147,195	-	147,195	-	-	147,195
Grants and contracts:						
Federal, state and local	450,724	351,326	802,050	-	-	802,050
Contributions:						
Foundations	25,000	-	25,000	-	-	25,000
Corporations	1,295	-	1,295	-	-	1,295
Net assets released from restrictions (see below)	-	148,332	148,332	-	-	148,332
Fundraising event revenue	-	-	-	69,728	-	69,728
Interest income	124	-	124	-	-	124
Rental income	34,814	-	34,814	-	-	34,814
In-kind donations of goods	3,325	-	3,325	-	-	3,325
Miscellaneous income	<u>17,950</u>	<u>-</u>	<u>17,950</u>	<u>-</u>	<u>-</u>	<u>17,950</u>
Total revenue and support	<u>7,302,390</u>	<u>499,658</u>	<u>7,802,048</u>	<u>69,728</u>	<u>-</u>	<u>7,871,776</u>
Expenses:						
Program services:						
Education	<u>5,917,988</u>	<u>215,484</u>	<u>6,133,472</u>	<u>-</u>	<u>-</u>	<u>6,133,472</u>
Supporting services:						
Management and general	1,059,505	275,292	1,334,797	3,009	-	1,337,806
Fund-raising	<u>5,060</u>	<u>-</u>	<u>5,060</u>	<u>30,670</u>	<u>-</u>	<u>35,730</u>
Total supporting services	<u>1,064,565</u>	<u>275,292</u>	<u>1,339,857</u>	<u>33,679</u>	<u>-</u>	<u>1,373,536</u>
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,228</u>	<u>-</u>	<u>28,228</u>
Total expenses	<u>6,982,553</u>	<u>490,776</u>	<u>7,473,329</u>	<u>61,907</u>	<u>-</u>	<u>7,535,236</u>
Changes in unrestricted net assets	<u>319,837</u>	<u>8,882</u>	<u>328,719</u>	<u>7,821</u>	<u>-</u>	<u>336,540</u>
Changes in temporarily restricted net assets:						
Contributions	-	250,000	250,000	-	-	250,000
Net assets released from restrictions (see above)	<u>-</u>	<u>(148,332)</u>	<u>(148,332)</u>	<u>-</u>	<u>-</u>	<u>(148,332)</u>
Total changes in temporarily restricted net assets	<u>-</u>	<u>101,668</u>	<u>101,668</u>	<u>-</u>	<u>-</u>	<u>101,668</u>
Change in net assets	319,837	110,550	430,387	7,821	-	438,208
Net assets - beginning	<u>4,432,825</u>	<u>(10,125)</u>	<u>4,422,700</u>	<u>-</u>	<u>-</u>	<u>4,422,700</u>
NET ASSETS - ENDING	<u>\$ 4,752,662</u>	<u>\$ 100,425</u>	<u>\$ 4,853,087</u>	<u>\$ 7,821</u>	<u>\$ -</u>	<u>\$ 4,860,908</u>

Note - The LLC's had no activity during the year ended June 30, 2016, and therefore, was not included in the consolidation.

See independent auditor's report.

**AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Combining										Amber Schools Foundation, Inc.						
	Amber Charter School					Amber Charter School II					Amber Schools Foundation, Inc.						
	Program Services	Supporting Services				Program Services	Supporting Services				Supporting Services						
	Education	Management and General	Fund- raising	Subtotal	Total	Education	Management and General	Fund- raising	Subtotal	Total	Combining Total	Management and General	Fund- raising	Subtotal	Direct Benefit Cost to Donors	Total	Grand Total
Personnel service costs:																	
Administrative staff personnel	\$ 423,790	\$ 955,680	\$ -	\$ 955,680	\$ 1,379,470	\$ 317,422	\$ 281,131	\$ -	\$ 281,131	\$ 598,553	\$ 1,978,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,978,023
Instructional personnel	2,762,040	-	-	-	2,762,040	604,873	-	-	-	604,873	3,366,913	-	-	-	-	-	3,366,913
Non-instructional personnel	118,147	-	-	-	118,147	74,402	-	-	-	74,402	192,549	-	-	-	-	-	192,549
Total personnel service costs	3,303,977	955,680	-	955,680	4,259,657	996,697	281,131	-	281,131	1,277,828	5,537,485	-	-	-	-	-	5,537,485
Fringe benefits and payroll taxes	1,122,131	284,670	-	284,670	1,406,801	257,907	66,249	-	66,249	324,156	1,730,957	-	-	-	-	-	1,730,957
Interest expense	146,130	6,089	-	6,089	152,219	-	-	-	-	-	152,219	-	-	-	-	-	152,219
Accounting and audit services	-	24,895	-	24,895	24,895	-	5,200	-	5,200	5,200	30,095	-	-	-	-	-	30,095
Professional and consulting services	265,856	66,782	-	66,782	332,638	139,789	26,466	-	26,466	166,255	498,893	-	626	626	-	626	499,519
Security	8,098	-	-	-	8,098	-	-	-	-	-	8,098	-	-	-	-	-	8,098
Repairs and maintenance	47,186	1,966	-	1,966	49,152	19,733	1,485	-	1,485	21,218	70,370	-	-	-	-	-	70,370
Insurance	81,742	-	-	-	81,742	15,744	-	-	-	15,744	97,486	1,076	-	1,076	-	1,076	98,562
Utilities	78,108	3,255	-	3,255	81,363	46,387	3,492	-	3,492	49,879	131,242	-	-	-	-	-	131,242
Supplies and materials	100,735	-	-	-	100,735	179,252	-	-	-	179,252	279,987	-	-	-	-	-	279,987
Equipment rental lease	39,828	1,659	-	1,659	41,487	9,099	685	-	685	9,784	51,271	-	-	-	-	-	51,271
Staff development	65,251	-	-	-	65,251	2,658	-	-	-	2,658	67,909	-	-	-	-	-	67,909
Technology	85,057	-	-	-	85,057	41,001	-	-	-	41,001	126,058	-	-	-	-	-	126,058
Food service	247,514	18,141	-	18,141	265,655	69,947	4,294	-	4,294	74,241	339,896	-	-	-	-	-	339,896
Student services	75,273	-	-	-	75,273	15,962	-	-	-	15,962	91,235	-	-	-	-	-	91,235
Office expenses	54,994	43,333	-	43,333	98,327	29,704	-	-	-	29,704	128,031	-	-	-	-	-	128,031
Depreciation	196,162	8,173	-	8,173	204,335	155,109	11,675	-	11,675	166,784	371,119	-	-	-	-	-	371,119
Travel	2,956	-	-	-	2,956	485	-	-	-	485	3,441	-	-	-	-	-	3,441
Dues and subscriptions	19,039	793	-	793	19,832	11,525	867	-	867	12,392	32,224	-	-	-	-	-	32,224
Postage	6,970	-	-	-	6,970	1,037	-	-	-	1,037	8,007	-	-	-	-	-	8,007
Direct costs for special event	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,800	52,800	52,800
Payroll processing fees	85,074	-	-	-	85,074	22,202	-	-	-	22,202	107,276	-	-	-	-	-	107,276
Rent	-	-	-	-	-	417,105	31,395	-	31,395	448,500	448,500	-	-	-	-	-	448,500
Miscellaneous	49,470	42,616	-	42,616	92,086	26,566	2,110	-	2,110	28,676	120,762	7,782	-	7,782	-	7,782	128,544
TOTAL FUNCTIONAL EXPENSES	\$ 6,081,551	\$ 1,458,052	\$ -	\$ 1,458,052	\$ 7,539,603	\$ 2,457,909	\$ 435,049	\$ -	\$ 435,049	\$ 892,958	\$ 10,432,561	\$ 8,858	\$ 626	\$ 9,484	\$ 52,800	\$ 62,284	\$ 10,494,845

Note - 652 West's only activity was rental income from Amber and rental expenses. Intercompany rent was eliminated in consolidation and rent expense to an unrelated party was reflected under Amber II in the statement above. 3120 Corlear had no activity during the year ended June 30, 2017, and therefore, was not included in the consolidation.

See independent auditor's report.

**AMBER CHARTER SCHOOL AND AFFILIATES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

Combining																		
Amber Charter School						Amber Charter School II					Amber Schools Foundation, Inc.							
	Program Services					Program Services					Combining Total	Supporting Services					Direct Benefit Cost to Donors	Grand Total
	Education	Management and General	Fund-raising	Subtotal	Total	Education	Management and General	Fund-raising	Subtotal	Total		Management and General	Fund-raising	Subtotal	Total			
Personnel service costs:																		
Administrative staff personnel	471,786	639,593	-	639,593	1,111,379	19,846	220,042	-	220,042	239,888	1,351,267	-	-	-	-	1,351,267		
Instructional personnel	2,846,214	-	-	-	2,846,214	-	-	-	-	-	2,846,214	-	-	-	-	2,846,214		
Non-instructional personnel	148,298	-	-	-	148,298	-	-	-	-	-	148,298	-	-	-	-	148,298		
Total personnel service costs	3,466,298	639,593	-	639,593	4,105,891	19,846	220,042	-	220,042	239,888	4,345,779	-	-	-	-	4,345,779		
Fringe benefits and payroll taxes	1,099,766	196,046	-	196,046	1,295,812	2,631	42,915	-	42,915	45,546	1,341,358	-	-	-	-	1,341,358		
Interest expense	165,178	6,882	-	6,882	172,060	-	-	-	-	-	172,060	-	-	-	-	172,060		
Accounting and audit services	-	48,126	-	48,126	48,126	-	3,868	-	3,868	3,868	51,994	1,651	-	1,651	-	1,651		
Professional and consulting services	248,597	58,310	5,060	63,370	311,967	192,326	3,301	-	3,301	195,627	507,594	-	30,670	30,670	-	30,670		
Security	4,818	-	-	-	4,818	-	-	-	-	-	4,818	-	-	-	-	4,818		
Repairs and maintenance	58,026	2,600	-	2,600	60,626	-	4,371	-	4,371	4,371	64,997	-	-	-	-	64,997		
Insurance	74,675	-	-	-	74,675	-	51	-	51	51	74,726	-	-	-	-	74,726		
Utilities	65,200	2,717	-	2,717	67,917	-	-	-	-	-	67,917	-	-	-	-	67,917		
Supplies and materials	21,723	-	-	-	21,723	-	-	-	-	-	21,723	-	-	-	-	21,723		
Equipment rental lease	37,313	1,555	-	1,555	38,868	-	-	-	-	-	38,868	-	-	-	-	38,868		
Staff development	17,600	-	-	-	17,600	-	-	-	-	-	17,600	-	-	-	-	17,600		
Technology	27,446	-	-	-	27,446	-	-	-	-	-	27,446	-	-	-	-	27,446		
Food service	200,201	14,669	-	14,669	214,870	-	-	-	-	-	214,870	-	-	-	-	214,870		
Student services	58,249	-	-	-	58,249	-	-	-	-	-	58,249	-	-	-	-	58,249		
Office expenses	29,063	43,621	-	43,621	72,684	-	494	-	494	494	73,178	-	-	-	-	73,178		
Depreciation	187,184	7,800	-	7,800	194,984	-	-	-	-	-	194,984	-	-	-	-	194,984		
Travel	3,560	-	-	-	3,560	-	-	-	-	-	3,560	-	-	-	-	3,560		
Dues and subscriptions	34,837	1,452	-	1,452	36,289	-	-	-	-	-	36,289	-	-	-	-	36,289		
Postage	6,050	-	-	-	6,050	-	-	-	-	-	6,050	-	-	-	-	6,050		
Catering for special event	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,228	28,228		
Payroll processing fees	83,295	-	-	-	83,295	-	-	-	-	-	83,295	-	-	-	-	83,295		
Miscellaneous	28,909	36,134	-	36,134	65,043	681	250	-	250	931	65,974	1,358	-	1,358	-	1,358		
TOTAL FUNCTIONAL EXPENSES	5,917,988	1,059,505	5,060	1,064,565	6,982,553	215,484	275,292	-	275,292	490,776	7,473,329	3,009	30,670	33,679	28,228	61,907	7,535,236	

Note - The LLC's had no activity during the year ended June 30, 2016, and therefore, was not included in the consolidation.

See independent auditor's report.

AMBER CHARTER SCHOOL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

Federal Funding Department or Division	Program	Catalog Number	Expenditures
Food and Nutrition Services, Department of Agriculture	School Breakfast Program	10.553	\$ 60,115
Food and Nutrition Services, Department of Agriculture	National School Lunch Program	10.555	230,627
Office of Elementary and Secondary Education, Department of Education	Elementary and Secondary Education Act of 1965 Title I Part A	84.010A	224,365
Office of Elementary and Secondary Education, Department of Education	Elementary and Secondary Education Act of 1965 Title II Part A	84.367A	17,758
Office of Innovation and improvement, Department of Education	Charter Schools Program Planning and Implementation Grant	84.282A	<u>307,301</u>
			<u>\$ 840,166</u>

AMBER CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Amber Charter School. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included in the schedule of expenditures of federal awards.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports.



**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***

To the Board of Trustees
Amber Charter School and Affiliates

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 consolidated financial statements of Amber Charter School and Affiliates (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Amber Charter School and Affiliates'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Amber Charter School and Affiliates's internal control. Accordingly, we do not express an opinion on the effectiveness of Amber Charter School and Affiliates'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 Amber Charter School and Affiliates's consolidated financial statements are free from material misstatement, we performed tests of their 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 consolidated 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 Amber Charter School and Affiliates's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Amber Charter School and Affiliates's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
October 31, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Amber Charter School and Affiliates

Report on Compliance for Each Major Federal Program

We have audited Amber Charter School and Affiliate's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Amber Charter School's major federal programs for the year ended June 30, 2017. Amber Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Amber Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Amber Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Amber Charter School's compliance.

Opinion on Compliance for Each Major Federal Program

In our opinion, Amber Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Amber Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Amber Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Amber Charter School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
October 31, 2017

AMBER CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiencies identified?	_____	Yes	_____	<u>X</u>	None reported
Non-compliance material to financial statements noted?	_____	Yes	_____	<u>X</u>	No

Federal Awards

Internal control over major federal programs:

Material weakness identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiencies identified?	_____	Yes	_____	<u>X</u>	None reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) _____ Yes X No

Major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Elementary and Secondary Education Act of 1965 Title I Part A
84.282A	Charter Schools Program Planning and Implementation Grant

Dollar threshold to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

AMBER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

Section II - Financial statement audit - reported findings under *Government Auditing Standards*:

None

Section III - Federal awards findings and questioned costs:

None