

Ascend Charter Schools

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2019 and 2018

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Independent Auditors' Report

**Board of Trustees
Ascend Charter Schools**

Report on the Financial Statements

We have audited the accompanying financial statements of Ascend Charter Schools (the "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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, Ascend Charter Schools adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities and functional expenses by school, for the year ended June 30, 2019 on pages 19 through 25 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 26 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Ascend Charter Schools

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 12,535,301	\$ 9,309,933
Grants and contracts receivable	1,242,978	4,013,967
Prepaid expenses and other current assets	262,154	251,548
Total Current Assets	14,040,433	13,575,448
Property and equipment, net	9,331,930	8,122,089
Security deposits	326,305	323,055
Restricted cash	250,199	225,229
	\$ 23,948,867	\$ 22,245,821
 LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,082,487	\$ 1,990,824
Accrued payroll and payroll taxes	3,256,437	2,629,264
Refundable advances	93,700	90,245
Loan payable - related party	-	400,000
Deferred rent	2,600,375	3,490,995
Due to related parties	676,740	2,302,253
Total Current Liabilities	8,709,739	10,903,581
Due to related party	947,317	947,317
Deferred rent, net of current portion	15,689,949	11,308,334
Total Liabilities	25,347,005	23,159,232
Net assets (deficit), without donor restrictions	(1,398,138)	(913,411)
	\$ 23,948,867	\$ 22,245,821

Ascend Charter Schools

Statements of Activities

	Year Ended June 30,	
	2019	2018
OPERATING REVENUE		
State and local per pupil operating revenue		
General and special education	\$ 86,581,003	\$ 73,076,058
Facilities	9,620,148	6,807,861
Federal grants	5,795,101	4,007,441
Federal E-Rate and IDEA	1,068,649	677,796
State and city grants	410,559	335,223
Total Operating Revenue	103,475,460	84,904,379
EXPENSES		
Program Services		
Regular education	64,169,383	52,901,912
Special education	20,165,857	18,292,081
Total Program Services	84,335,240	71,193,993
Supporting Services		
Management and general	19,806,649	14,760,654
Total Expenses	104,141,889	85,954,647
Deficit from Operations	(666,429)	(1,050,268)
SUPPORT AND OTHER REVENUE		
Contributions	18,115	51,163
Rental income	135,000	135,000
Interest and other revenue	28,587	121,249
Gain on transfer of leases and loans to related party	-	257,358
Total Support and Other Revenue	181,702	564,770
Change in Net Assets	(484,727)	(485,498)
NET ASSETS (DEFICIT)		
Beginning of year	(913,411)	(427,913)
End of year	\$ (1,398,138)	\$ (913,411)

See notes to financial statements

Ascend Charter Schools

Statement of Functional Expenses
Year Ended June 30, 2019

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	141	\$ 5,417,819	\$ 1,852,347	\$ 7,270,166	\$ 5,063,270	\$ 12,333,436
Instructional personnel	475	25,503,994	8,500,513	34,004,507	-	34,004,507
Non-instructional personnel	33	-	-	-	1,166,954	1,166,954
Total Salaries and Staff	<u>649</u>	<u>30,921,813</u>	<u>10,352,860</u>	<u>41,274,673</u>	<u>6,230,224</u>	<u>47,504,897</u>
Employee benefits and payroll taxes		6,277,917	2,101,486	8,379,403	1,270,710	9,650,113
Professional fees		1,198,532	337,993	1,536,525	721,866	2,258,391
Management fees		4,101,429	669,764	4,771,193	7,462,634	12,233,827
Consultants - education		91,722	245,755	337,477	-	337,477
Legal fees		-	-	-	93,604	93,604
Curriculum and classroom supplies		1,956,938	315,487	2,272,425	-	2,272,425
Office supplies		-	-	-	400,748	400,748
Non-capitalized furniture and equipment		187,843	60,550	248,393	36,567	284,960
Leased equipment, furniture and fixtures		844,621	282,482	1,127,103	167,893	1,294,996
Communications		667,177	224,148	891,325	132,214	1,023,539
Occupancy		12,425,798	4,173,403	16,599,201	2,485,912	19,085,113
Insurance		281,274	91,659	372,933	53,551	426,484
Repairs and maintenance		736,351	243,410	979,761	151,741	1,131,502
Security		91,059	27,425	118,484	16,531	135,015
Marketing and recruiting		266,637	74,204	340,841	39,726	380,567
Staff development		684,152	143,421	827,573	43,831	871,404
Travel and meals		2,030,591	358,971	2,389,562	42,483	2,432,045
Postage, printing and copying		97,981	29,192	127,173	18,105	145,278
Dues and subscriptions		238,300	79,412	317,712	47,776	365,488
Depreciation and amortization		1,069,144	354,202	1,423,346	216,818	1,640,164
Interest		104	33	137	18	155
Miscellaneous		-	-	-	173,697	173,697
Total Expenses		<u>\$ 64,169,383</u>	<u>\$ 20,165,857</u>	<u>\$ 84,335,240</u>	<u>\$ 19,806,649</u>	<u>\$ 104,141,889</u>

See notes to financial statements

Ascend Charter Schools

Statement of Functional Expenses Year Ended June 30, 2018

	No. of Positions	Program Services			Management and	Total
		Regular Education	Special Education	Total	General	
Personnel Services Costs						
Administrative staff personnel	108	\$ 4,587,365	\$ 1,740,930	\$ 6,328,295	\$ 3,400,045	\$ 9,728,340
Instructional personnel	413	20,089,186	7,628,757	27,717,943	-	27,717,943
Non-instructional personnel	<u>31</u>	-	-	-	<u>873,720</u>	<u>873,720</u>
Total Salaries and Staff	<u>552</u>	24,676,551	9,369,687	34,046,238	4,273,765	38,320,003
Employee benefits and payroll taxes		5,237,952	1,990,982	7,228,934	909,512	8,138,446
Professional fees		1,007,563	251,283	1,258,846	446,187	1,705,033
Management fees		3,475,579	564,891	4,040,470	6,117,261	10,157,731
Consultants - education		125,526	63,335	188,861	38,815	227,676
Legal fees		-	-	-	114,378	114,378
Curriculum and classroom supplies		1,586,569	255,127	1,841,696	-	1,841,696
Office supplies		-	-	-	310,424	310,424
Non-capitalized furniture and equipment		161,629	57,501	219,130	27,242	246,372
Leased equipment, furniture and fixtures		1,317,332	484,699	1,802,031	226,543	2,028,574
Communications		423,535	166,769	590,304	73,556	663,860
Occupancy		10,378,965	3,862,677	14,241,642	1,752,980	15,994,622
Insurance		249,346	90,702	340,048	40,653	380,701
Repairs and maintenance		459,392	158,905	618,297	79,270	697,567
Security		89,764	28,374	118,138	14,713	132,851
Marketing and recruiting		233,216	76,021	309,237	28,707	337,944
Staff development		615,334	127,304	742,638	30,729	773,367
Travel and meals		1,593,721	284,891	1,878,612	24,125	1,902,737
Postage, printing and copying		75,126	26,242	101,368	12,569	113,937
Dues and subscriptions		180,106	69,086	249,192	31,086	280,278
Depreciation and amortization		888,423	330,984	1,219,407	152,719	1,372,126
Interest		126,283	32,621	158,904	18,912	177,816
Miscellaneous		-	-	-	36,508	36,508
Total Expenses		<u>\$ 52,901,912</u>	<u>\$ 18,292,081</u>	<u>\$ 71,193,993</u>	<u>\$ 14,760,654</u>	<u>\$ 85,954,647</u>

See notes to financial statements

Ascend Charter Schools

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (484,727)	\$ (485,498)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,640,164	1,372,126
Deferred rent	3,490,995	3,687,619
Gain on transfer of leases and loans to related party	-	(257,358)
Changes in operating assets and liabilities		
Grants and contracts receivable	2,770,989	(892,111)
Prepaid expenses and other current assets	(10,606)	268,344
Security deposits	(3,250)	(208,562)
Accounts payable and accrued expenses	91,663	790,659
Accrued payroll and payroll taxes	627,173	376,586
Refundable advances	3,455	(19,595)
Due to related party	(1,625,513)	675,604
Net Cash from Operating Activities	6,500,343	5,307,814
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,850,005)	(1,180,871)
Restricted cash	(24,970)	(180)
Release of loans payable held in escrow	-	200,000
Net Cash from Investing Activities	(2,874,975)	(981,051)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loan payable - related party	(400,000)	-
Payments of loan payable - landlord	-	(81,250)
Payments of loans payable	-	(431,797)
Net Cash from Financing Activities	(400,000)	(513,047)
 Net Change in Cash and Cash Equivalents	3,225,368	3,813,716
CASH AND CASH EQUIVALENTS		
Beginning of year	9,309,933	5,496,217
End of year	\$ 12,535,301	\$ 9,309,933
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 155	\$ 177,816
Non-cash investing activities		
Leasehold improvements transferred to related party	-	14,885,206
Deferred rent transferred to related party	-	2,017,824
Non-cash financing activity		
Loans payable paid by related party resulting from transfer of leases	-	13,124,740

See notes to financial statements

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

1. Organization and Tax Status

Ascend Charter Schools (the “School”) is a New York State, not-for-profit educational corporation that was incorporated to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School’s mission is to equip their students with the knowledge, confidence and character to succeed in college and beyond.

The accompanying financial statements include the following charter schools collectively forming the School:

Brooklyn Ascend Charter School (“Brooklyn Ascend”) – Brooklyn Ascend was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Brooklyn Ascend obtained a renewal to its charter expiring on June 30, 2023.

Brownsville Ascend Charter School (“Brownsville Ascend”) – Brownsville Ascend was granted a provisional charter on January 13, 2009 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Brownsville Ascend obtained a renewal to its charter expiring on June 30, 2022.

Bushwick Ascend Charter School (“Bushwick Ascend”) – Bushwick Ascend was granted a provisional charter on February 9, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Bushwick Ascend obtained a renewal to its charter expiring on June 30, 2023.

Canarsie Ascend Charter School (“Canarsie Ascend”) – Canarsie Ascend was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Canarsie Ascend obtained a renewal to its charter expiring on July 31, 2023.

Central Brooklyn Ascend Charter School (“Central Brooklyn Ascend”) – Central Brooklyn Ascend was granted a provisional charter on January 1, 2013 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Central Brooklyn Ascend obtained a renewal to its charter expiring on July 31, 2024.

Cypress Hills Ascend Charter School (“Cypress Hills Ascend”) – Cypress Hills Ascend was granted a provisional charter on July 19, 2017 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. This charter will expire on July 31, 2023

On July 19, 2017, the School was granted a provisional charter to operate Central Brooklyn Ascend Charter School 3, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Classes commenced at this school in September 2019.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

1. Organization and Tax Status (*continued*)

On October 19, 2018, the School was granted a provisional charter to operate Central Brooklyn Ascend Charter School 4 and 5, valid for terms of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Classes commenced at these schools in September 2019.

On March 8, 2019, the School was granted a provisional charter to operate Brooklyn Ascend Charter School 6, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. Classes are scheduled to commence in September 2020.

The School provided education to approximately 4,900 students in the kindergarten through twelfth grades during the 2018-2019 academic year.

The School uses two outside vendors to serve breakfast and lunch to its students through Brownsville Ascend, who files for reimbursement of expenses through the New York State and Federal school food program. The School covers the cost of breakfast and lunch for families who experience hardship and who do not qualify for free or reduced meals. The Office of Pupil Transportation provides free transportation to some of the students.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Change in Accounting Principle

On July 1, 2018, the School adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the School to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the School to make certain expanded disclosures relating to the liquidity of financial assets, and expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted net assets were reclassified as net assets without donor restrictions.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

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

Net Assets Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2019 and 2018.

Cash and Cash Equivalents

The School considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash

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

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$2,500 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and equipment	3 and 5 years
Furniture and fixtures	5 years
Software	3 years
Website development	3 years

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount of the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2019 and 2018.

Refundable Advances

The School records certain government grants and contracts as refundable advances until the related services are performed, at which time it is recognized as revenue.

Deferred Rent

The School records its rent in accordance with U.S. GAAP whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statements of financial position.

Revenue and Support

Revenue from state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruiting

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Marketing and recruiting expense for the years ended June 30, 2019 and 2018 was \$380,567 and \$337,994.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

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

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2016.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 30, 2019.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state and city entitlements and grants. The School expects to collect these receivables within one year, and has not provided an allowance for doubtful accounts.

4. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of Ascend Learning, Inc. ("Ascend"), a New York State not-for-profit corporation, by common management. The School entered into an agreement with Ascend on July 1, 2018 which calls for Ascend to design, select and implement the School's educational program as well as the professional development activities for all the School personnel; recruit, supervise and evaluate the School's director; propose employment policies and practices relating to School personnel; and manage the School's business administration. For the years ended June 30, 2019 and 2018, each charter school paid Ascend an annual fee ranging from 12% to 15% of the School's per pupil operating revenue, per pupil facilities revenue and federal Individuals with Disabilities Education Act revenue. The management fee for the years ended June 30, 2019 and 2018 amounted to \$12,233,827 and \$10,157,731.

The School entered into a sublease agreement with Ascend on July 1, 2011. There are two amendments to the agreement. The terms of the agreement permit Ascend to use the 6th floor of one of the buildings that the School occupies. Ascend increased use of the floor over the term of the lease, and rent increased accordingly. Rental income amounted to \$135,000 for the years ended June 30, 2019 and 2018.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

4. Related Party Transactions (not disclosed elsewhere) (continued)

On September 30, 2013, the School received an interest-free loan of \$400,000 from Ascend. The proceeds were used to finance the School's operations. The outstanding principal balance of the loan was paid in full as of June 30, 2019.

The School is an affiliate of Friends of Ascend Charter Schools, Inc. ("FOA"), a New York State not-for-profit corporation, by common management. FOA's purpose is to support the operation of the School by managing the School's real estate and facilities-related needs, and by raising funds and resources that will enable FOA to provide support to the School and to enhance the experience of the School's students.

During fiscal 2018, the lease agreements of five facilities used by the School were transferred to FOA (see Note 10) and new sublease agreements were entered into between FOA (sublandlord) and the School (subtenant). As a result of these transfers, leasehold improvements pertaining to the transferred leases with net book value of \$14,885,206 and unamortized deferred rent amounting to \$2,017,824 were transferred to FOA. In addition, the balance of loans payable of \$13,124,740 used to finance the leasehold improvements were transferred to and paid in full by FOA on June 28, 2018. The transfer of leases and loans to FOA resulted in a non-operating gain of \$257,358 which is reported as gain on transfer of leases and loans to related party in the statements of activities.

For operational efficiency and purchasing power, the School shares certain operating expenses with Ascend and FOA. The net balance due to the related parties at June 30, 2019 and 2018 was \$1,624,057 and \$3,249,570.

5. Property and Equipment

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

	2019	2018
Computers	\$ 2,957,702	\$ 2,076,030
Equipment	1,051,676	975,321
Furniture and fixtures	3,002,363	1,954,864
Software	55,314	38,124
Website development	143,277	143,277
Leasehold improvements	9,442,407	8,792,053
Construction in progress	592,295	415,360
	<u>17,245,034</u>	<u>14,395,029</u>
Accumulated depreciation and amortization	<u>(7,913,104)</u>	<u>(6,272,940)</u>
	<u>\$ 9,331,930</u>	<u>\$ 8,122,089</u>

Construction-in-progress at June 30, 2019 and 2018 is comprised of costs related to the Pitkin Avenue facility.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30, 2019:

Cash and cash equivalents	\$ 12,535,301
Grants and contracts receivable	<u>1,242,978</u>
	<u>\$ 13,778,279</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts and other liquid instruments until it is required for operational use.

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match employee contributions ranging from 1% to 5% of annual compensation. Total employer match for the years ended June 30, 2019 and 2018 was \$378,080 and \$244,400.

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2019 and 2018, approximately \$12,535,000 and \$9,285,000 of cash was maintained with an institution in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2019 and 2018, the School received approximately 93% and 94% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

10. Commitments

School Facilities

Brooklyn Ascend

On March 19, 2008, Brooklyn Ascend entered into an agreement to lease property at 205 Rockaway Parkway, Brooklyn, New York for a period of 15 years. The landlord has renovated the facility to conform to the School's specifications in phases. As of June 30, 2019, Brooklyn Ascend has reimbursed the landlord a total of \$2,917,850 for these renovations which are classified as leasehold improvements under property and equipment in the statements of financial position. Pursuant to the fourth lease amendment, annual fixed rent will be reduced for years 8 through 15 due to deletion of certain projects. On July 28, 2016, Brooklyn Ascend signed a fifth amendment to renew the lease for 10 years. The renewal period commences on September 1, 2023.

On January 19, 2011, Brooklyn Ascend entered into an agreement to lease property at 123 East 98th Street, Brooklyn, New York for a period of 20 years. This location became the home of Brooklyn Ascend Middle School starting with the 2012-2013 academic year.

On July 2, 2012, Brooklyn Ascend entered into an agreement as a co-lessee with Brownsville Ascend to become a future tenant located at 1501 Pitkin Avenue, Brooklyn, New York. The occupancy period for the School is 17 years of the 20 year lease agreement. The facility became the home of Brooklyn Ascend High School, which began with the 2015-2016 academic year. The space is shared with Brownsville Ascend.

Pursuant to each facility lease agreement, the School will also reimburse the landlords for the proportionate share of the real estate taxes and any other costs associated with the leasing of the premises.

Brownsville Ascend

On June 22, 2010, Brownsville Ascend entered into an agreement to lease property at 1501 Pitkin Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 20 years, renewable for up to 20 additional years. The construction of the facility will be completed in phases. There are six amendments to the agreement as well as an additional letter agreement related to roof play space. Effective as of the fourth amendment, Brooklyn Ascend entered into the agreement as a co-lessee, and effective as of the 2015-2016 academic year, Brooklyn Ascend High School became a co-tenant of the building. Both schools will reimburse the landlord for their share of real estate taxes. Brownsville Ascend moved into the new permanent lease facility on August 20, 2012.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

10. Commitments (*continued*)

School Facilities (*continued*)

Bushwick Ascend

On July 29, 2011, the School entered into an agreement to lease property at 741-757 Knickerbocker Avenue, Brooklyn, New York for a period of 20 years, with a renewal option for an additional ten years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. As part of the agreement, the School has the right to mortgage its interest in the lease under a leasehold mortgage and assign the lease as collateral security for such leasehold mortgage. The facility is currently tax exempt, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

On March 30, 2015, the School entered into an agreement to lease property at 2 Aberdeen Street, Brooklyn, New York. As per the terms of the agreement, the lease is for a period of 30 years, commencing on June 1, 2015 and ending on June 30, 2045. This location became the home of Bushwick Ascend Middle School starting with the 2015-2016 academic year. The facility is currently tax exempt, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

On May 18, 2018, the two Bushwick Ascend leases were transferred to FOA and a new sublease agreement between FOA (sublandlord) and the School (subtenant) was entered into for a period of 28 years ending on June 30, 2045 (see Note 4).

Rent expense on all subleases with FOA are recorded on the straight-line basis in accordance with U.S. GAAP.

Canarsie Ascend

On April 1, 2013, Canarsie Ascend entered into an agreement to lease property at 9719 Flatlands Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 20 years, renewable for up to 10 additional years. The facility is currently tax exempt, but Canarsie Ascend will be responsible for any real estate taxes arising out of the School's occupancy.

On August 30, 2017, Canarsie Ascend entered into an agreement to lease property at 744 East 87th Street and 751 East 86th Street in Brooklyn, New York for a period of 30 years, commencing on June 15, 2017 and ending June 30, 2047. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy. On September 12, 2017, the lease agreement was transferred to FOA and a new sublease agreement between FOA (sublandlord) and the School (subtenant) was executed for a period of 30 years ending on June 30, 2047 (see Note 4).

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

10. Commitments (*continued*)

School Facilities (*continued*)

Central Brooklyn Ascend

On November 3, 2014, the School entered into an agreement to lease property at 465 East 29th Street, Brooklyn, New York. As per the terms of the agreement, the lease is for 30 years, commencing on June 1, 2015 and ending on June 30, 2045. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy. On September 12, 2017, the lease agreement was transferred to FOA and a new sublease agreement between FOA (sublandlord) and the School (subtenant) was executed for a period of 28 years ending on June 30, 2045 (see Note 4).

On September 12, 2017, the School entered into an agreement with FOA to sublease property at 1886 Nostrand Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 28 years, commencing on August 15, 2017 and ending on June 30, 2045. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

Cypress Hills Ascend

On February 22, 2018, the School entered into an agreement with FOA to sublease property at 396 Grant Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 30 years, commencing on February 1, 2018 and ending on June 30, 2048. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

Central Brooklyn Ascend Charter School 3

On December 4, 2018, the School entered into an agreement with FOA to sublease property at 260 Shepherd Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 29 years, commencing on July 1, 2019 and ending on June 30, 2048. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

Central Brooklyn Ascend Charter School 5

On March 11, 2019, the School entered into an agreement with FOA to sublease property at 870 Albany Avenue, Brooklyn, New York. As per the terms of the agreement, the lease is for 29 years, commencing on July 1, 2019 and ending on June 30, 2048. The property is currently exempt from real estate taxes, but the School will be responsible for any real estate taxes arising out of the School's occupancy.

Ascend Charter Schools

Notes to Financial Statements
June 30, 2019 and 2018

10. Commitments (continued)

School Facilities (continued)

Future minimum lease payments under the facility leases (including the subleases with FOA) are as follows for the years ending June 30:

2020	\$ 17,740,921
2021	18,709,493
2022	19,585,765
2023	20,182,244
2024	20,648,030
Thereafter	<u>394,205,991</u>
	<u>\$ 491,072,444</u>

Rent expense is recognized on the straight-line basis over the term of the lease. The difference between cash payments under the lease agreements and the straight-line rent have been recognized as deferred rent in the accompanying statements of financial position from inception of the lease. The difference between rent cash payments and straight-line rent included in occupancy expense in the accompanying statements of functional expenses amounted to \$3,490,995 and \$3,687,620 for the years ended June 30, 2019 and 2018.

Leased Equipment

The School entered into several furniture and equipment lease agreements expiring at various dates through the year ending June 30, 2022.

Future minimum rental payments under the non-cancelable operating leases are as follows for the years ending June 30:

2020	\$ 532,608
2021	55,237
2022	<u>18,412</u>
	<u>\$ 606,257</u>

11. Contingency

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

Ascend Charter Schools

Supplementary Information

June 30, 2019

Ascend Charter Schools

Schedule of Activities by School
Year Ended June 30, 2019

	Brooklyn Ascend	Brownsville Ascend	Bushwick Ascend	Canarsie Ascend	Central Brooklyn Ascend	Cypress Hills Ascend	Total
OPERATING REVENUE							
State and local per pupil operating revenue							
General and special education	\$ 26,777,728	\$ 18,701,186	\$ 15,117,782	\$ 14,547,898	\$ 9,295,840	\$ 2,140,569	\$ 86,581,003
Facilities	2,102,382	1,616,125	1,210,464	2,131,544	1,989,258	570,375	9,620,148
Federal grants	1,432,048	1,171,596	721,088	1,165,198	826,863	478,308	5,795,101
Federal E-Rate and IDEA	328,485	162,959	233,436	158,058	145,534	40,177	1,068,649
State and city grants	124,338	87,741	70,529	72,825	41,975	13,151	410,559
Total Operating Revenue	<u>30,764,981</u>	<u>21,739,607</u>	<u>17,353,299</u>	<u>18,075,523</u>	<u>12,299,470</u>	<u>3,242,580</u>	<u>103,475,460</u>
EXPENSES							
Program Services							
Regular education	18,817,060	12,529,925	10,898,161	11,954,371	6,899,617	3,070,249	64,169,383
Special education	5,815,555	4,270,191	3,505,336	2,584,900	3,371,917	617,958	20,165,857
Total Program Services	24,632,615	16,800,116	14,403,497	14,539,271	10,271,534	3,688,207	84,335,240
Supporting Services							
Management and general	5,563,245	4,473,272	3,344,665	3,109,957	2,415,944	899,566	19,806,649
Total Expenses	<u>30,195,860</u>	<u>21,273,388</u>	<u>17,748,162</u>	<u>17,649,228</u>	<u>12,687,478</u>	<u>4,587,773</u>	<u>104,141,889</u>
Surplus (Deficit) from Operations	<u>569,121</u>	<u>466,219</u>	<u>(394,863)</u>	<u>426,295</u>	<u>(388,008)</u>	<u>(1,345,193)</u>	<u>(666,429)</u>
SUPPORT AND OTHER REVENUE							
Contributions	785	8,333	6,531	-	2,466	-	18,115
Rental income	135,000	-	-	-	-	-	135,000
Interest and other revenue	21,687	2,335	1,712	1,522	1,052	279	28,587
Total Support and Other Revenue	<u>157,472</u>	<u>10,668</u>	<u>8,243</u>	<u>1,522</u>	<u>3,518</u>	<u>279</u>	<u>181,702</u>
Change in Net Assets	726,593	476,887	(386,620)	427,817	(384,490)	(1,344,914)	(484,727)
NET ASSETS (DEFICIT)							
Beginning of year	<u>(3,284,619)</u>	<u>2,585,789</u>	<u>917,880</u>	<u>(1,867,227)</u>	<u>734,766</u>	<u>-</u>	<u>(913,411)</u>
End of year	<u>\$ (2,558,026)</u>	<u>\$ 3,062,676</u>	<u>\$ 531,260</u>	<u>\$ (1,439,410)</u>	<u>\$ 350,276</u>	<u>\$ (1,344,914)</u>	<u>\$ (1,398,138)</u>

Ascend Charter Schools

Schedule of Functional Expenses
Brooklyn Ascend Charter School
Year Ended June 30, 2019

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	39	\$ 1,585,502	\$ 523,906	\$ 2,109,408	\$ 1,584,769	\$ 3,694,177
Instructional personnel	152	8,369,476	2,765,574	11,135,050	-	11,135,050
Non-instructional personnel	6	-	-	-	346,723	346,723
Total Salaries and Staff	197	9,954,978	3,289,480	13,244,458	1,931,492	15,175,950
Employee benefits and payroll taxes		1,950,225	644,424	2,594,649	378,532	2,973,181
Professional fees		532,888	159,837	692,725	193,115	885,840
Management fees		1,145,036	180,196	1,325,232	2,072,799	3,398,031
Consultants - education		11,479	13,626	25,105	-	25,105
Legal fees		-	-	-	9,008	9,008
Curriculum and classroom supplies		649,083	102,147	751,230	-	751,230
Office supplies		-	-	-	127,905	127,905
Non-capitalized furniture and equipment		58,162	19,219	77,381	11,285	88,666
Leased equipment, furniture and fixtures		292,872	96,775	389,647	56,824	446,471
Communications		177,022	58,494	235,516	34,346	269,862
Occupancy		2,520,006	832,700	3,352,706	488,938	3,841,644
Insurance		84,894	27,089	111,983	15,391	127,374
Repairs and maintenance		300,569	99,319	399,888	58,320	458,208
Security		60,360	19,945	80,305	11,711	92,016
Marketing and recruiting		58,462	16,996	75,458	8,740	84,198
Staff development		198,619	39,312	237,931	16,063	253,994
Travel and meals		376,858	68,771	445,629	10,611	456,240
Postage, printing and copying		18,212	6,018	24,230	3,534	27,764
Dues and subscriptions		77,470	25,599	103,069	15,031	118,100
Depreciation and amortization		349,863	115,607	465,470	67,881	533,351
Interest		2	1	3	-	3
Miscellaneous		-	-	-	51,719	51,719
Total Expenses		\$ 18,817,060	\$ 5,815,555	\$ 24,632,615	\$ 5,563,245	\$ 30,195,860

See independent auditors' report

Ascend Charter Schools

Schedule of Functional Expenses
Brownsville Ascend Charter School
Year Ended June 30, 2019

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	37	\$ 1,156,168	\$ 424,174	\$ 1,580,342	\$ 1,103,151	\$ 2,683,493
Instructional personnel	95	5,112,979	1,875,843	6,988,822	-	6,988,822
Non-instructional personnel	17	-	-	-	451,040	451,040
Total Salaries and Staff	<u>149</u>	<u>6,269,147</u>	<u>2,300,017</u>	<u>8,569,164</u>	<u>1,554,191</u>	<u>10,123,355</u>
Employee benefits and payroll taxes		1,406,791	516,121	1,922,912	348,759	2,271,671
Professional fees		310,104	113,000	423,104	146,522	569,626
Management fees		858,715	152,642	1,011,357	1,581,867	2,593,224
Consultants - education		27,170	26,591	53,761	-	53,761
Legal fees		-	-	-	58,806	58,806
Curriculum and classroom supplies		379,611	67,479	447,090	-	447,090
Office supplies		-	-	-	74,447	74,447
Non-capitalized furniture and equipment		27,306	10,018	37,324	6,769	44,093
Leased equipment, furniture and fixtures		150,414	55,184	205,598	37,289	242,887
Communications		89,586	32,867	122,453	22,209	144,662
Occupancy		1,746,879	640,893	2,387,772	433,071	2,820,843
Insurance		65,569	23,355	88,924	15,337	104,261
Repairs and maintenance		244,998	89,884	334,882	60,738	395,620
Security		188	69	257	47	304
Marketing and recruiting		32,353	10,352	42,705	6,031	48,736
Staff development		104,172	23,861	128,033	5,395	133,428
Travel and meals		517,543	98,022	615,565	7,898	623,463
Postage, printing and copying		14,476	5,311	19,787	3,589	23,376
Dues and subscriptions		48,616	17,836	66,452	12,052	78,504
Depreciation and amortization		236,287	86,689	322,976	58,578	381,554
Miscellaneous		-	-	-	39,677	39,677
Total Expenses		<u>\$ 12,529,925</u>	<u>\$ 4,270,191</u>	<u>\$ 16,800,116</u>	<u>\$ 4,473,272</u>	<u>\$ 21,273,388</u>

See independent auditors' report

Ascend Charter Schools

Schedule of Functional Expenses
 Bushwick Ascend Charter School
 Year Ended June 30, 2019

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	26	\$ 989,814	\$ 326,448	\$ 1,316,262	\$ 963,818	\$ 2,280,080
Instructional personnel	90	4,674,757	1,541,771	6,216,528	-	6,216,528
Non-instructional personnel	4	-	-	-	149,645	149,645
Total Salaries and Staff	<u>120</u>	<u>5,664,571</u>	<u>1,868,219</u>	<u>7,532,790</u>	<u>1,113,463</u>	<u>8,646,253</u>
Employee benefits and payroll taxes		1,185,895	391,117	1,577,012	233,107	1,810,119
Professional fees		10,880	2,170	13,050	88,687	101,737
Management fees		651,419	129,902	781,321	1,222,065	2,003,386
Consultants - education		13,757	61,615	75,372	-	75,372
Legal fees		-	-	-	8,929	8,929
Curriculum and classroom supplies		237,489	47,359	284,848	-	284,848
Office supplies		-	-	-	75,645	75,645
Non-capitalized furniture and equipment		19,086	6,295	25,381	3,752	29,133
Leased equipment, furniture and fixtures		165,809	54,685	220,494	32,592	253,086
Communications		144,315	47,596	191,911	28,367	220,278
Occupancy		2,160,079	712,411	2,872,490	424,598	3,297,088
Insurance		49,896	16,049	65,945	9,195	75,140
Repairs and maintenance		41,607	13,722	55,329	8,179	63,508
Marketing and recruiting		57,352	18,034	75,386	9,946	85,332
Staff development		100,919	23,526	124,445	3,554	127,999
Travel and meals		173,237	39,467	212,704	7,419	220,123
Postage, printing and copying		7,839	2,586	10,425	1,541	11,966
Dues and subscriptions		42,618	14,056	56,674	8,377	65,051
Depreciation and amortization		171,372	56,520	227,892	33,686	261,578
Interest		21	7	28	4	32
Miscellaneous		-	-	-	31,559	31,559
Total Expenses		<u>\$ 10,898,161</u>	<u>\$ 3,505,336</u>	<u>\$ 14,403,497</u>	<u>\$ 3,344,665</u>	<u>\$ 17,748,162</u>

See independent auditors' report

Ascend Charter Schools

Schedule of Functional Expenses
Canarsie Ascend Charter School
Year Ended June 30, 2019

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	17	\$ 828,683	\$ 186,264	\$ 1,014,947	\$ 686,730	\$ 1,701,677
Instructional personnel	76	4,402,771	989,618	5,392,389	-	5,392,389
Non-instructional personnel	2	-	-	-	100,610	100,610
Total Salaries and Staff	<u>95</u>	<u>5,231,454</u>	<u>1,175,882</u>	<u>6,407,336</u>	<u>787,340</u>	<u>7,194,676</u>
Employee benefits and payroll taxes		1,046,289	235,176	1,281,465	157,468	1,438,933
Professional fees		239,813	46,547	286,360	102,080	388,440
Management fees		789,709	102,842	892,551	1,396,041	2,288,592
Consultants - education		3,737	71,767	75,504	-	75,504
Legal fees		-	-	-	9,024	9,024
Curriculum and classroom supplies		357,699	46,582	404,281	-	404,281
Office supplies		-	-	-	76,606	76,606
Non-capitalized furniture and equipment		52,161	11,724	63,885	7,850	71,735
Leased equipment, furniture and fixtures		154,977	34,834	189,811	23,324	213,135
Communications		134,114	30,145	164,259	20,184	184,443
Occupancy		2,693,385	605,397	3,298,782	405,358	3,704,140
Insurance		46,610	10,198	56,808	6,572	63,380
Repairs and maintenance		120,418	27,066	147,484	18,123	165,607
Security		27,982	6,290	34,272	4,211	38,483
Marketing and recruiting		68,259	14,740	82,999	9,314	92,313
Staff development		177,394	28,972	206,366	14,271	220,637
Travel and meals		545,128	77,119	622,247	9,755	632,002
Postage, printing and copying		46,344	10,417	56,761	6,975	63,736
Dues and subscriptions		43,794	9,844	53,638	6,591	60,229
Depreciation and amortization		175,046	39,345	214,391	26,345	240,736
Interest		58	13	71	9	80
Miscellaneous		-	-	-	22,516	22,516
Total Expenses		<u>\$ 11,954,371</u>	<u>\$ 2,584,900</u>	<u>\$ 14,539,271</u>	<u>\$ 3,109,957</u>	<u>\$ 17,649,228</u>

See independent auditors' report

Ascend Charter Schools

Schedule of Functional Expenses
Central Brooklyn Ascend Charter School
Year Ended June 30, 2019

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	18	\$ 631,842	\$ 344,807	\$ 976,649	\$ 517,333	\$ 1,493,982
Instructional personnel	49	2,120,575	1,157,235	3,277,810	-	3,277,810
Non-instructional personnel	3	-	-	-	92,766	92,766
Total Salaries and Staff	<u>70</u>	<u>2,752,417</u>	<u>1,502,042</u>	<u>4,254,459</u>	<u>610,099</u>	<u>4,864,558</u>
Employee benefits and payroll taxes		508,030	277,241	785,271	112,610	897,881
Professional fees		66,034	10,654	76,688	151,869	228,557
Management fees		520,884	83,962	604,846	946,041	1,550,887
Consultants - education		30,096	63,580	93,676	-	93,676
Legal fees		-	-	-	7,484	7,484
Curriculum and classroom supplies		187,738	30,262	218,000	-	218,000
Office supplies		-	-	-	22,661	22,661
Non-capitalized furniture and equipment		20,223	11,036	31,259	4,483	35,742
Leased equipment, furniture and fixtures		71,830	39,199	111,029	15,922	126,951
Communications		87,866	47,950	135,816	19,476	155,292
Occupancy		2,059,954	1,124,153	3,184,107	456,608	3,640,715
Insurance		25,554	13,188	38,742	5,228	43,970
Repairs and maintenance		22,043	12,029	34,072	4,886	38,958
Security		1,762	962	2,724	391	3,115
Marketing and recruiting		23,148	9,419	32,567	3,278	35,845
Staff development		80,920	24,205	105,125	3,301	108,426
Travel and meals		331,670	62,308	393,978	5,099	399,077
Postage, printing and copying		7,557	4,124	11,681	1,675	13,356
Dues and subscriptions		19,885	10,852	30,737	4,408	35,145
Depreciation and amortization		81,983	44,739	126,722	18,172	144,894
Interest		23	12	35	5	40
Miscellaneous		-	-	-	22,248	22,248
Total Expenses		<u>\$ 6,899,617</u>	<u>\$ 3,371,917</u>	<u>\$ 10,271,534</u>	<u>\$ 2,415,944</u>	<u>\$ 12,687,478</u>

See independent auditors' report

Ascend Charter Schools

Schedule of Functional Expenses
Cypress Hills Ascend Charter School
Year Ended June 30, 2019

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	4	\$ 225,810	\$ 46,748	\$ 272,558	\$ 207,469	\$ 480,027
Instructional personnel	13	823,436	170,472	993,908	-	993,908
Non-instructional personnel	1	-	-	-	26,170	26,170
Total Salaries and Staff	<u>18</u>	<u>1,049,246</u>	<u>217,220</u>	<u>1,266,466</u>	<u>233,639</u>	<u>1,500,105</u>
Employee benefits and payroll taxes		180,687	37,407	218,094	40,234	258,328
Professional fees		38,813	5,785	44,598	39,593	84,191
Management fees		135,666	20,220	155,886	243,821	399,707
Consultants - education		5,483	8,576	14,059	-	14,059
Legal fees		-	-	-	353	353
Curriculum and classroom supplies		145,318	21,658	166,976	-	166,976
Office supplies		-	-	-	23,484	23,484
Non-capitalized furniture and equipment		10,905	2,258	13,163	2,428	15,591
Leased equipment, furniture and fixtures		8,719	1,805	10,524	1,942	12,466
Communications		34,274	7,096	41,370	7,632	49,002
Occupancy		1,245,495	257,849	1,503,344	277,339	1,780,683
Insurance		8,751	1,780	10,531	1,828	12,359
Repairs and maintenance		6,716	1,390	8,106	1,495	9,601
Security		767	159	926	171	1,097
Marketing and recruiting		27,063	4,663	31,726	2,417	34,143
Staff development		22,128	3,545	25,673	1,247	26,920
Travel and meals		86,155	13,284	99,439	1,701	101,140
Postage, printing and copying		3,553	736	4,289	791	5,080
Dues and subscriptions		5,917	1,225	7,142	1,317	8,459
Depreciation and amortization		54,593	11,302	65,895	12,156	78,051
Miscellaneous		-	-	-	5,978	5,978
Total Expenses		<u>\$ 3,070,249</u>	<u>\$ 617,958</u>	<u>\$ 3,688,207</u>	<u>\$ 899,566</u>	<u>\$ 4,587,773</u>

See independent auditors' report

Ascend Charter Schools

Uniform Guidance
Schedules and Reports

June 30, 2019

Ascend Charter Schools

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Direct Program:				
Ascend Learning: Expansion and Replication of High-Quality Charter Schools in Brooklyn, NY	84.282M		\$ -	\$ 1,828,712
Pass-through the New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-19-4395	-	488,983
Title I Grants to Local Educational Agencies	84.010	0021-19-4585	-	385,535
Title I Grants to Local Educational Agencies	84.010	0021-19-4780	-	331,739
Title I Grants to Local Educational Agencies	84.010	0021-19-4965	-	237,957
Title I Grants to Local Educational Agencies	84.010	0021-19-5170	-	156,559
Title I Grants to Local Educational Agencies	84.010	0021-19-5430	-	45,142
			<u>-</u>	<u>1,645,915</u>
Improving Teacher Quality State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-19-4395	-	54,647
Improving Teacher Quality State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-19-4585	-	34,771
Improving Teacher Quality State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-19-4780	-	31,673
Improving Teacher Quality State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-19-4965	-	22,127
Improving Teacher Quality State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-19-5170	-	19,516
Improving Teacher Quality State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-19-5430	-	28,352
			<u>-</u>	<u>191,086</u>
Student Support and Academic Enrichment Program	84.424	0204-19-4395	-	39,077
Student Support and Academic Enrichment Program	84.424	0204-19-4585	-	30,810
Student Support and Academic Enrichment Program	84.424	0204-19-4780	-	26,511
Student Support and Academic Enrichment Program	84.424	0204-19-4965	-	14,847
Student Support and Academic Enrichment Program	84.424	0204-19-5170	-	11,018
			<u>-</u>	<u>122,263</u>
Total U.S. Department of Education			<u>-</u>	<u>3,787,976</u>
<u>U.S. Department of Agriculture</u>				
Pass-through the New York State Education Department:				
Child Nutrition Cluster				
School Breakfast Program	10.553		-	451,324
National School Lunch Program (Lunch)	10.555		-	1,338,927
National School Lunch Program (Snack)	10.555		-	216,874
Total U.S. Department of Agriculture			<u>-</u>	<u>2,007,125</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 5,795,101</u>

Ascend Charter Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Ascend Charter Schools (the "School") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditors' Report

**Board of Trustees
Ascend Charter Schools**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ascend Charter Schools (the "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 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2019

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

Board of Trustees
Ascend Charter Schools

Report on Compliance for Each Major Federal Program

We have audited Ascend Charter Schools' (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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 the 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.

PKF O'Connor Davies, LLP

Ascend Charter Schools

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)

84.282M

Name of Federal Program or Cluster

Ascend Learning: Expansion and Replication of High-Quality Charter Schools in Brooklyn, NY

Dollar threshold used to distinguish between type

A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes ___ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2019.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no prior year audit findings.

Board of Trustees
Ascend Charter Schools

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Ascend Charter Schools (the "School") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

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

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2019