

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Atmosphere Academy Public Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Atmosphere Academy Public Charter School, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from October 16, 2014 (date of inception) to June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atmosphere Academy Public Charter School as of June 30, 2016, and the changes in its net assets and its cash flows for the period from October 16, 2014 (date of inception) to June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016 on our consideration of Atmosphere Academy Public Charter 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 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 Atmosphere Academy Public Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 19, 2016

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 57,773
Grants and contract receivables	395,861
Contributions and other receivables	13,245
Prepaid expenses and other current assets	<u>20,271</u>
TOTAL CURRENT ASSETS	487,150
<u>PROPERTY AND EQUIPMENT</u> , net	325,365
<u>OTHER ASSETS</u>	
Cash in escrow	25,001
Deposits	<u>65,059</u>
TOTAL ASSETS	<u>\$ 902,575</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts payable and accrued expenses	\$ 248,015
Short-term note payable	211,750
Loan from related party	165,000
Deferred revenue	<u>21,126</u>
TOTAL CURRENT LIABILITIES	645,891
<u>DEFERRED LEASE LIABILITY</u>	51,077
<u>NET ASSETS</u>	
Unrestricted	<u>205,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 902,575</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM OCTOBER 16, 2014 (DATE OF INCEPTION) TO JUNE 30, 2016

Revenue, gains and other support:		
Public school district:		
Resident student enrollment		\$ 1,880,875
Students with disabilities		504,604
Facility allowance		351,551
Grants and contracts:		
State and local		339,536
Federal - Title and IDEA		117,732
Federal - other		<u>791,846</u>
	TOTAL REVENUE, GAINS AND OTHER SUPPORT	3,986,144
Expenses:		
Program services:		
Regular education		1,607,379
Special education		<u>922,306</u>
	TOTAL PROGRAM SERVICES	2,529,685
Management and general		<u>1,303,865</u>
	TOTAL OPERATING EXPENSES	<u>3,833,550</u>
	SURPLUS FROM SCHOOL OPERATIONS	152,594
Support and other revenue:		
Contributions		<u>53,013</u>
	TOTAL SUPPORT AND OTHER REVENUE	53,013
	CHANGE IN NET ASSETS	205,607
Net assets at beginning of period		<u>-</u>
	NET ASSETS AT END OF PERIOD	<u>\$ 205,607</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM OCTOBER 16, 2014 (DATE OF INCEPTION) TO JUNE 30, 2016

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Fundraising	Management and General	Sub-total	
Personnel services costs:								
Administrative staff personnel	8	\$ 147,379	\$ 55,538	\$ 202,917	\$ -	\$ 494,140	\$ 494,140	\$ 697,057
Instructional personnel	18	512,274	362,590	874,864	-	-	-	874,864
Total salaries and wages	26	659,653	418,128	1,077,781	-	494,140	494,140	1,571,921
Fringe benefits and payroll taxes		169,354	107,347	276,701	-	126,861	126,861	403,562
Retirement		20,380	12,918	33,298	-	15,266	15,266	48,564
Legal services		-	-	-	-	31,120	31,120	31,120
Accounting/Audit services		-	-	-	-	25,700	25,700	25,700
Other Purchased/Professional/Consulting Services		44,412	28,151	72,563	-	278,330	278,330	350,893
Building rent		168,962	107,099	276,061	-	126,567	126,567	402,628
Repairs and maintenance		52,134	33,046	85,180	-	39,053	39,053	124,233
Insurance		13,031	8,260	21,291	-	9,761	9,761	31,052
Utilities		5,320	3,372	8,692	-	3,986	3,986	12,678
Supplies/Materials		95,069	35,826	130,895	-	-	-	130,895
Equipment/Furnishings		27,555	10,851	38,406	-	32,219	32,219	70,625
Staff development		63,259	24,074	87,333	-	686	686	88,019
Marketing/Recruitment		27,153	11,599	38,752	-	3,982	3,982	42,734
Technology		47,260	29,957	77,217	-	46,883	46,883	124,100
Food service		2,758	1,039	3,797	-	-	-	3,797
Student services		158,514	59,735	218,249	-	-	-	218,249
Office expense		9,033	5,726	14,759	-	43,746	43,746	58,505
Depreciation and amortization		34,119	21,627	55,746	-	25,558	25,558	81,304
Other		9,413	3,551	12,964	-	7	7	12,971
		<u>\$ 1,607,379</u>	<u>\$ 922,306</u>	<u>\$ 2,529,685</u>	<u>\$ -</u>	<u>\$ 1,303,865</u>	<u>\$ 1,303,865</u>	<u>\$ 3,833,550</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF CASH FLOWS

PERIOD FROM OCTOBER 16, 2014 (DATE OF INCEPTION) TO JUNE 30, 2016

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 205,607
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	81,304
Changes in certain assets and liabilities affecting operations:	
Cash in escrow	(25,001)
Grants and contract receivables	(395,861)
Contributions and other receivables	(13,245)
Prepaid expenses and other current assets	(20,271)
Deposits	(65,059)
Accounts payable and accrued expenses	248,015
Deferred lease liability	51,077
Deferred revenue	21,126
	<u>21,126</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	87,692

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	<u>(406,669)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(406,669)

CASH FLOWS - FINANCING ACTIVITIES

Borrowings on short-term note payable	211,750
Borrowings from a related party	<u>165,000</u>
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>376,750</u>
NET INCREASE IN CASH	57,773

Cash at beginning of period	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 57,773</u>

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

The Charter School

Atmosphere Academy Public Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School is a middle school with the mission of preparing students to be ready for college, career and life. On October 16, 2014 the Board of Trustees of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2016.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2016.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’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 government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

Contributions are recognized as revenue in the year the pledge is received and documented.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

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

Cont'd

Contributions

Contributions and unconditional promises to give are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$25,001 at June 30, 2016. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2016.

Property and equipment

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

Contributed services

The Organization receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

The Charter School received contributed services, for consulting and legal services, which were valued at \$47,159 for the period from October 16, 2014 (date of inception) to June 30, 2016. These amounts are included in contributions in the accompanying statement of activities and changes in net assets, and the statement of functional expenses.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

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

Cont'd

Tax exempt status

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

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$42,700 for the period from October 16, 2014 (date of inception) to June 30, 2016.

Deferred revenue

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

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined changes of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis over five years which is the lease term and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Use of estimates in the preparation of financial statements

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 19, 2016, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note H and Note I.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

NOTE B: PROPERTY AND EQUIPMENT

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

Furniture and fixtures	\$ 26,069
Office and classroom equipment	93,028
Leasehold improvements	118,261
Software	17,434
Computers and equipment	<u>151,877</u>
	406,669
Less accumulated depreciation	<u>81,304</u>
	<u>\$ 325,365</u>

NOTE C: SCHOOL FACILITY

The Charter School leases its facilities from a third party through June 30, 2020. Rent expense incurred under this lease for the period from October 16, 2014 (date of inception) to June 30, 2016 was approximately \$402,600. Lease assistance revenue from state and local governments based on the number of students approximated \$352,000 for the period October 16, 2014 (date of inception) to June 30, 2016.

The lease agreements call for changes in the monthly lease payments. The deferred lease liability represents the difference between what will be paid by the Charter School and what is due based on a straight line calculation of rent over the term of the lease.

The future minimum payments required under the agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 762,000
2018	605,000
2019	605,000
2020	<u>605,000</u>
	<u>\$ 2,577,000</u>

NOTE D: CONTINGENCY

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

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

NOTE E: CONCENTRATIONS

At June 30, 2016, approximately 84% of grants and contract receivables are due from New York State agencies relating to certain grants. At June 30, 2016, approximately 16% of grants and contract receivables are due from the federal government relating to certain grants.

During the period from October 16, 2014 (date of inception) to June 30, 2016 approximately 68% of total revenue, gains, and other support came from per-pupil funding provided by New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located. An additional 19% of revenue and support came from the federal government relating to a certain grant.

NOTE F: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees are immediately eligible to participate in the Plan. The Plan allows for the Charter School to make a matching contribution to the Plan. The Charter School contributed approximately \$48,500 to the Plan for the period from October 16, 2014 (date of inception) to June 30, 2016.

NOTE G: OPERATING LEASE

The Charter School entered into non-cancelable lease agreements for office equipment expiring at various dates through April 2019. The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 17,300
2018	17,300
2019	<u>6,600</u>
	<u>\$ 41,200</u>

NOTE H: RELATED PARTY TRANSACTIONS

The Charter School received loans totaling \$165,000 from a Board Trustee due in one installment of principal and interest at 4.25% in July 2016. Subsequent to year end this loan was extended to November 30, 2016.

The Charter School is related to Atmosphere Foundation, Inc. (the "Foundation") through common board representation. The Foundation contributed approximately \$5,900 to the Charter School during the period ended June 30, 2016, which is included in contributions on the statement of activities and changes in net assets.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

NOTE I: SHORT -TERM NOTE PAYABLE

The Charter School received a \$211,750 non-interest bearing loan from a grantor to finance school expenditures until funding from the grantor would have typically been received. The note was considered paid in full in July 2016.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Atmosphere Academy Public Charter School

We have audited the financial statements of Atmosphere Academy Public Charter School as of June 30, 2016 and for the period from October 16, 2014 (date of inception) to June 30, 2016, and have issued our report thereon dated October 19, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter 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 for the period from October 16, 2014 (date of inception) to June 30, 2016.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 19, 2016

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2016 AND THE PERIOD FROM
OCTOBER 16, 2014 (DATE OF INCEPTION) TO JUNE 30, 2015

	Year ended June 30, 2016	Period from October 16, 2014 (date of inception) to June 30, 2015	Total
Revenue, gains and other support:			
Public school district:			
Resident student enrollment	\$ 1,880,875	\$ -	\$ 1,880,875
Students with disabilities	504,604	-	504,604
Facility allowance	351,551	-	351,551
Grants and contracts:			
State and local	339,536	-	339,536
Federal - Title and IDEA	117,732	-	117,732
Federal - other	399,432	392,414	791,846
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>3,593,730</u>	<u>392,414</u>	<u>3,986,144</u>
Personnel services costs:			
Administrative staff personnel	592,057	105,000	697,057
Instructional personnel	874,864	-	874,864
Total salaries and wages	<u>1,466,921</u>	<u>105,000</u>	<u>1,571,921</u>
Fringe benefits and payroll taxes	373,953	29,609	403,562
Retirement	45,439	3,125	48,564
Legal services	9,016	22,104	31,120
Accounting/Audit services	23,700	2,000	25,700
Other Purchased/Professional/Consulting Services	268,021	82,872	350,893
Building rent	402,628	-	402,628
Repairs and maintenance	51,673	72,560	124,233
Insurance	25,522	5,530	31,052
Utilities	12,678	-	12,678
Supplies/Materials	125,059	5,836	130,895
Equipment/Furnishings	69,001	1,624	70,625
Staff development	87,839	180	88,019
Marketing/Recruitment	37,010	5,724	42,734
Technology	122,302	1,798	124,100
Food service	3,797	-	3,797
Student services	218,249	-	218,249
Office expense	56,699	1,806	58,505
Depreciation and amortization	81,304	-	81,304
Other	9,794	3,177	12,971
TOTAL OPERATING EXPENSES	<u>3,490,605</u>	<u>342,945</u>	<u>3,833,550</u>
SURPLUS FROM SCHOOL OPERATIONS	103,125	49,469	152,594
Support and other revenue:			
Contributions	2,734	50,279	53,013
TOTAL SUPPORT AND OTHER REVENUE	<u>2,734</u>	<u>50,279</u>	<u>53,013</u>
CHANGE IN NET ASSETS	<u>\$ 105,859</u>	<u>\$ 99,748</u>	<u>\$ 205,607</u>

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Trustees
Atmosphere Academy Public Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Atmosphere Academy Public Charter School, which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets, functional expenses and cash flows for the period from October 16, 2014 (date of inception) to June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atmosphere Academy Public Charter School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Atmosphere Academy Public Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of Atmosphere Academy Public Charter School’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atmosphere Academy Public Charter 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*.

We noted certain matters that we have reported to management of Atmosphere Academy Public Charter School in a separate letter dated October 19, 2016.

Purpose of This Report

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

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 19, 2016

**ATMOSPHERE ACADEMY PUBLIC CHARTER
SCHOOL**

ADVISORY COMMENT LETTER

JUNE 30, 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 19, 2016

Board of Trustees
Atmosphere Academy Public Charter School

In planning and performing our audit of the financial statements of Atmosphere Academy Public Charter School (the “Charter School”) as of June 30, 2016 and for the period from October 14, 2014 (date of inception) to June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter 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 Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this letter and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During the course of our audit of the financial statements of Atmosphere Academy Public Charter School as of June 30, 2016 and for the period from October 14, 2014 (date of inception) to June 30, 2016, we observed the Charter School’s significant accounting policies and certain business, financial and administrative practices. As a result of our observations, we noted the following, which we do not consider to be a significant deficiencies or material weaknesses:

Finance Committee

During our audit we noted there is a formal finance committee. However we noted that no separate finance committee meetings are held outside the Board of Trustees meetings.

Recommendation

We recommend that the finance committee meets regularly outside of the Board of Trustee meetings to discuss in detail the general financial information of the Charter School. We recommend that the finance committee continues to report monthly to the full Board of Trustees the financial health of the Charter School as required in the Board By-Laws. In addition, we recommend that this and all committees keep formal minutes of the meetings. The current Form 990 inquires if all committee meetings were documented as well as meetings of the governing body. Keeping minutes of all meetings is also an indication of good governance.

* * * * *

This communication is intended solely for the information and use of Management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Shelby Stenson or Kate Welc.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

**ATMOSPHERE ACADEMY PUBLIC CHARTER
SCHOOL**

AGREED UPON PROCEDURES

PERIOD ENDED JUNE 30, 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT ACCOUNTANT’S REPORT ON CSP FUNDING

Board of Trustees
Atmosphere Academy Public Charter School

We have performed the procedures identified below, which were agreed to by the management of Atmosphere Academy Public Charter School (the “Charter School”) and the New York State Education Department (“NYSED”), solely to assist the specified parties in evaluating the Charter School’s assertion to NYSED that it has maintained compliance with the requirements of the CSP grant and Federal and NYSED guidelines in managing the CSP grant.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our results are as follows:

Procedure No. 1: We will obtain the detail of expenditures incurred for the period under review relating to the CSP grant from the Charter School’s accounting software and reconcile to the grant revenue recorded by the Charter School. If the CSP grant revenue does not equal the grant expenditures, we will investigate the differences.

Result

We observed that the detail of expenditures agreed to the Charter School’s reported CSP revenue.

Procedure No. 2: We will obtain the NYSED approved CSP grant award information, including the budget and any amendments, to determine if the revenue and expenditures recorded for the period appear reasonable.

Result

We observed the Charter School’s approved FS-10, FS-10-A, and final expenditure summary, and it appears that revenue and expenditures in the period are reasonable.

Procedure No. 3: We will select a sample of expenditures from the detail obtained in Procedure No. 1.

- a. Payroll – We will select 10 items or 10% of the total number of payroll items charged to the grant, whichever is less.
- b. Other expenditures – We will select 10 items or 10% of the total number of other expenditures items charged to the grant, whichever is less.
- c. Using the above selected items, we will:
 - i. Determine if the expenditure is in accordance with the purpose of the grant and that pre-opening expenditures are charged to pre-opening periods.
 - ii. Determine if the expenditure falls into an approved budget category.
 - iii. Determine if the expenditure was charged to the appropriate fiscal period.

Result

We selected a sample of ten payroll items and ten other expenditures. Based on our testing, we noted that the payroll items and expenditures fall into the appropriate budget category and that the payroll items and expenditures were charged to the appropriate fiscal period. For all selections, we observed that the payroll items and expenditures were in accordance with the purpose of the grant and that pre-opening payroll items and expenditures are charged to pre-opening periods.

Procedure No. 4: We will obtain FS-25 form(s) submitted to NYSED during the period under review and perform the following:

- a. Trace expenditures selected in Procedure No. 3 to requests for reimbursement. Determine that items requested for reimbursement had previously been expended or were expended within a month following the request for reimbursement. If items have not yet been requested for reimbursement, inquire of responsible charter school officials as to the plan for requesting reimbursement, and determine if a receivable is recorded, if appropriate.
- b. If FS-25 forms included amounts on Line 4 (Cash Expenditures Anticipated During Next Month), we will select one FS-25 and determine if funds were expended within one month following the date of the request.

Result

We obtained the Charter School’s FS-25s and noted the selected items were appropriately included in the request for reimbursement. The requests for reimbursement appear to be in the appropriate period. The Charter School had 5 FS-25’s during the period which had a balance on Line 4 (Cash Expenditures Anticipated During Next Month). We noted the funds were expended within one month following the date of requests, except for the following FS-25’s.

<u>Month</u>	<u>Amount Reported On Line 4</u>	<u>Amount Expended in the Following Month</u>
March 2015	\$ 136,001	\$ 60,585
May 2015	75,700	61,413
October 2015	131,000	13,970
February 2016	7,750	3,778

Management’s response

The Charter School did expend the funds within one month following the date of the requests; however, due to unexpected funding from another funding source, expenses were subsequently re-tagged to a different grant. All funds received under the CSP grant were properly expended and tagged during the period ended June 30, 2016.

Procedure No. 5: For schools with a weighted lottery during the period under review we will:

- a. Obtain documentation that the school received permission from the NYSED Charter School Office for the weighted lottery.
- b. Obtain the results of the weighted lottery.
 - Note that weighted lotteries must be conducted using the NYSED Weighted Lottery Generator (WLG). When the WLG is used, a copy of the ‘lottery PDF’ should be observed. (This PDF is generated after the WLG has conducted the lottery).

Result

We noted that the Charter School does not have a weighted lottery.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Charter School's compliance with the requirements of the CSP grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Atmosphere Academy Public Charter School and the New York State Education Department, and it is not intended to be and should not be used by anyone other than the specified parties.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 19, 2016

**ATMOSPHERE ACADEMY PUBLIC CHARTER
SCHOOL**

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 19, 2016

Finance Committee
Atmosphere Academy Public Charter School

We have audited the financial statements of Atmosphere Academy Public Charter School as of June 30, 2016 and for the period from October 14, 2014 (date of inception) to June 30, 2016, and have issued our report thereon dated October 19, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 12, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Atmosphere Academy Public Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

We have provided our comments regarding other matters noted during our audit in a separate letter to you.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Atmosphere Academy Public Charter School is included in Note A to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are the allocations of operating expenses to program expenses, management and general expenses, and fundraising expenses and the collectability of grants receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

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

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * *

Should you desire further information concerning these matters, Shelby Stenson or Kate Welc will be happy to meet with you at your convenience.

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

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP