

FAMILY LIFE ACADEMY CHARTER SCHOOLS

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019

(With Comparative Totals for 2018)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Family Life Academy Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Family Life Academy Charter Schools (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Family Life Academy Charter Schools as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Family Life Academy Charter Schools' June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report date October 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it is derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019 on our consideration of Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 16, 2019

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

<u>ASSETS</u>	June 30,	
	2019	2018
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 5,093,528	\$ 3,599,646
Certificate of deposit	2,269,002	223,528
Grants and other receivables	967,094	822,371
Prepaid expenses and other current assets	314,995	301,692
TOTAL CURRENT ASSETS	8,644,619	4,947,237
<u>PROPERTY AND EQUIPMENT, net</u>	3,040,478	2,688,798
<u>OTHER ASSETS</u>		
Security deposits	319,310	319,310
Cash in escrow	175,000	175,000
Due from related parties	63,232	69,232
	557,542	563,542
TOTAL ASSETS	\$ 12,242,639	\$ 8,199,577
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of capital leases payable	\$ 160,418	\$ 132,297
Accounts payable and accrued expenses	634,522	202,589
Accrued payroll and benefits	971,369	995,364
Vacation accrual	339,846	310,275
Deferred revenue	1,672,950	532,616
TOTAL CURRENT LIABILITIES	3,779,105	2,173,141
<u>OTHER LIABILITIES</u>		
Capital leases payable	27,182	132,298
Deferred lease incentive	434,046	456,890
Deferred rent payable	3,040,271	1,967,449
	3,501,499	2,556,637
TOTAL LIABILITIES	7,280,604	4,729,778
<u>NET ASSETS</u>		
Without donor restrictions	4,885,013	3,417,938
With donor restrictions	77,022	51,861
	4,962,035	3,469,799
TOTAL LIABILITIES AND NET ASSETS	\$ 12,242,639	\$ 8,199,577

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	Year ended June 30,			2018
	2019		Total	
	Without donor Restrictions	With donor Restrictions		
Revenue, gains and other support:				
Public school district:				
Resident student enrollment	\$ 16,959,405	\$ -	\$ 16,959,405	\$ 15,100,111
Students with disabilities	604,269	-	604,269	919,785
Grants and contracts:				
State and local	595,162	-	595,162	523,740
Federal - Title and IDEA	1,475,040	-	1,475,040	923,331
Federal - other	462,286	-	462,286	240,603
Food service/Child Nutrition Program	803,947	-	803,947	724,601
NYC DOE rental assistance	1,959,756	-	1,959,756	1,843,796
TOTAL REVENUE, GAINS AND OTHER SUPPORT	22,859,865	-	22,859,865	20,275,967
Expenses:				
Program services:				
Regular education	17,249,172	-	17,249,172	14,915,848
Special education	1,690,853	-	1,690,853	1,884,121
Total program services	18,940,025	-	18,940,025	16,799,969
Management and general	2,733,332	-	2,733,332	2,433,061
Fundraising and special events	159,033	-	159,033	158,225
TOTAL OPERATING EXPENSES	21,832,390	-	21,832,390	19,391,255
SURPLUS FROM SCHOOL OPERATIONS	1,027,475	-	1,027,475	884,712
Support and other revenue:				
Contributions:				
Foundations	222,079	111,300	333,379	120,250
Individuals	5,710	-	5,710	8,231
Corporations	17,921	-	17,921	8,000
In-kind	1,800	-	1,800	11,000
Fundraising	5,646	-	5,646	3,265
Interest income	97,305	-	97,305	28,845
Other income	3,000	-	3,000	26,933
Net assets released from restriction	86,139	(86,139)	-	-
TOTAL SUPPORT AND OTHER REVENUE	439,600	25,161	464,761	206,524
CHANGE IN NET ASSETS	1,467,075	25,161	1,492,236	1,091,236
Net assets at beginning of year	3,417,938	51,861	3,469,799	2,378,563
NET ASSETS AT END OF YEAR	\$ 4,885,013	\$ 77,022	\$ 4,962,035	\$ 3,469,799

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	Year ended June 30,								
	2019						2018		
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel services costs:									
Administrative staff personnel	62	\$ 2,897,220	\$ 281,154	\$ 3,178,374	\$ 1,431,896	\$ 130,583	\$ 1,562,479	\$ 4,740,853	\$ 3,821,153
Instructional personnel	106	4,980,455	475,934	5,456,389	-	-	-	5,456,389	5,435,059
Non-instructional personnel	<u>32</u>	<u>1,047,558</u>	<u>100,786</u>	<u>1,148,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,148,344</u>	<u>1,070,785</u>
Total personnel services costs	200	8,925,233	857,874	9,783,107	1,431,896	130,583	1,562,479	11,345,586	10,326,997
Fringe benefits and payroll taxes		1,586,674	153,808	1,740,482	245,447	21,912	267,359	2,007,841	1,810,374
Retirement		149,694	14,096	163,790	43,372	4,908	48,280	212,070	158,958
Legal service		-	-	-	13,775	-	13,775	13,775	25,551
Accounting / audit services		-	-	-	52,650	-	52,650	52,650	58,542
Other purchased / professional / consulting services		163,567	15,838	179,405	82,318	131	82,449	261,854	311,449
Building and land rent / lease		3,306,117	331,199	3,637,316	190,881	-	190,881	3,828,197	3,260,569
Repairs and maintenance		374,413	37,468	411,881	21,198	-	21,198	433,079	382,736
Insurance		4,532	443	4,975	139,896	-	139,896	144,871	125,834
Utilities		222,794	22,565	245,359	12,711	-	12,711	258,070	254,722
Supplies / materials		439,831	69,417	509,248	-	-	-	509,248	461,744
Equipment / furnishings		10,256	956	11,212	5,878	-	5,878	17,090	11,511
Staff development		319,878	21,925	341,803	12,333	-	12,333	354,136	173,297
Marketing / recruitment		-	-	-	66,925	-	66,925	66,925	34,609
Technology		72,064	5,505	77,569	163,975	-	163,975	241,544	177,769
Food services		700,582	68,398	768,980	-	-	-	768,980	768,007
Student services		291,334	28,665	319,999	-	-	-	319,999	217,787
Office expense		171,736	15,921	187,657	170,191	1,499	171,690	359,347	253,969
Depreciation and amortization		505,283	46,775	552,058	74,508	-	74,508	626,566	568,946
Other		5,184	-	5,184	5,378	-	5,378	10,562	7,884
		<u>\$ 17,249,172</u>	<u>\$ 1,690,853</u>	<u>\$ 18,940,025</u>	<u>\$ 2,733,332</u>	<u>\$ 159,033</u>	<u>\$ 2,892,365</u>	<u>\$ 21,832,390</u>	<u>\$ 19,391,255</u>

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,492,236	\$ 1,091,236
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	626,566	568,946
Gain on sale of property and equipment	-	(19,121)
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(144,723)	146,797
Prepaid expenses and other current assets	(13,303)	(42,852)
Security deposits	-	(22,600)
Accounts payable and accrued expenses	431,933	(108,187)
Accrued payroll and benefits	(23,995)	190,602
Vacation accrual	29,571	48,497
Deferred revenue	1,140,334	130,346
Deferred lease incentive	(22,844)	60,015
Deferred rent payable	<u>1,072,822</u>	<u>588,656</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	4,588,597	2,632,335
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(896,966)	(701,149)
Proceeds from sale of property and equipment	-	31,263
Purchase of certificate of deposit	(2,045,474)	(26,443)
Change in due from related parties	6,000	6,000
Change in cash in escrow	<u>-</u>	<u>100,775</u>
NET CASH USED FOR INVESTING ACTIVITIES	(2,936,440)	(589,554)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of capital leases payable	<u>(158,275)</u>	<u>(130,910)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(158,275)</u>	<u>(130,910)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,493,882	1,911,871
Cash and cash equivalents at beginning of year	<u>3,599,646</u>	<u>1,687,775</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,093,528</u>	<u>\$ 3,599,646</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	<u>\$ 1,221</u>	<u>\$ 1,387</u>
<u>NON CASH INVESTING AND FINANCING ACTIVITIES</u>		
Capital lease payable incurred in connection with purchase of property and equipment	<u>\$ 81,280</u>	<u>\$ 395,505</u>

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Family Life Academy Charter Schools (the “Organization”) is an educational corporation operating in the borough of the Bronx, New York and is comprised of various individual charter schools.

Family Life Academy Charter School I (“FLACS I”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On May 14, 2001, the Board of Regents of the University of the State of New York granted FLACS I a provisional charter valid for a term of five years and renewable upon expiration. On May 20, 2008, August 19, 2013 and February 13, 2018, FLACS I obtained a five year renewal, which expires June 30, 2023.

Family Life Academy Charter School II (“FLACS II”) is a charter school that operates under the Organization in the borough of the Bronx, New York. On September 13, 2011, the Board of Regents of the University of the State of New York granted FLACS II a provisional charter valid for a term of five years and renewable upon expiration. On March 8, 2017, FLACS II obtained a five year renewal, which currently expires July 31, 2022.

On March 31, 2014, the Board of Regents of the University of the State of New York amended the FLACS I charter agreement permitting additional schools under FLACS I’s educational corporation. During the 2014 fiscal year, FLACS I added Family Life Academy Charter School III (“FLACS III”) under its expanded charter. FLACS III has the authority to operate through July 31, 2019. On May 27, 2019, FLACS III obtained a five year renewal, which expires July 31, 2024.

FLACS I, FLACS II, and FLACS III are schools in a predominately Latino community in the South Bronx. They seek to empower New York City English language learners in grades Kindergarten through Grade 8 to achieve high standards in English and to help them take responsibility for their own learning, and encourage them to explore and affirm human values.

Family Life Academy Charter Schools Network (“FLACS N”) is a division of the educational corporation operating as a charter school management organization. FLACS N’s purpose is to manage and support a network of open-enrollment free college preparatory charter schools committed to high academic standards, merit, citizenship and responsibility in New York City’s neediest neighborhoods.

On July 18, 2019, the Board of Regents of the University of the State of New York approved an additional charter school, Family Life Academy Charter School IV (“FLACS IV”), to operate under the FLACS education corporation. FLACS IV is expected to open September 2020.

Basis of presentation

The accompanying financial statements include the accounts of FLACS I, FLACS II, FLACS III, and FLACS N (collectively referred to as the “Organization”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Basis of accounting

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

Classification of net assets

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

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the purchase of certain equipment and for various programs at the Organization.

Revenue and support recognition

Revenue from state and local governments resulting from the Organization's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Organization when qualifying expenditures are incurred and billable.

Revenue from NYC DOE rental assistance is recognized in the year the Organization is eligible for such assistance. The facilities assistance is granted to charter schools that are newly opened or expanding grade levels and the NYC DOE was not able to find public space for the charter school.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions 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 without donor restricted revenue.

Contributions are recorded as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

Cash and cash equivalents

Cash and cash equivalents are maintained in certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Organization maintains cash in an escrow account, in accordance with the terms of its Charter Agreement. A portion of the escrow account is invested in a certificate of deposit with a maturity date of July 2019.

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, 2019 or 2018.

Property and equipment

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

Deferred revenue

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

Certificate of deposit

The Organization maintains its certificate of deposit at a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Organization's balance may exceed federally insured limits. The Organization has not experienced any losses in such account and does not believe it is exposed to any significant risk. Certificate of deposit has a maturity date of July 2019.

Tax exempt status

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

The Organization files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2016 through June 30, 2019 are still subject to potential audit by the IRS. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

Contributed goods and services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Organization received transportation services, special education services and a school nurse for the students from the local district. The Organization was unable to determine a value for these services.

The Organization received contributed professional development and programming services and contributed goods which were valued at approximately \$1,800 and \$11,000 for the years ended June 30, 2019 and 2018, respectively. These amounts are included in in-kind revenue in the accompanying statement of activities and changes in net assets.

Marketing costs

The Organization expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$67,000 and \$35,000 for the years ended June 30, 2019 and 2018, respectively.

Comparative information for the year ended June 30, 2018

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 "*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*". The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- 4) Provide enhanced disclosures about:
 - a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
 - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
 - c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.
 - d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
 - e) Method(s) used to allocate costs among program and support functions.

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Organization has adopted the amendments effective July 1, 2018.

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

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

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. There has been an exposure draft proposed that would delay the ASU from the initial timetable and, if passed, will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization’s financial position or results of operations.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 16, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Notes A, G and L.

NOTE B: LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization’s main source of liquidity is its cash and cash equivalents accounts.

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization’s cash and shows positive cash generated by operations for fiscal year 2019.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

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

	<u>Amount</u>
Cash and cash equivalents	\$ 5,093,528
Certificate of deposit	2,269,002
Grants and other receivables	<u>967,094</u>
Total financial assets available within one year	8,329,624
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>(77,022)</u>
Total amount unavailable for general expenditures within one year	<u>(77,022)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 8,252,602</u>

NOTE C: RELATED PARTY TRANSACTIONS

FLACS N receives a management allocation from FLACS I, FLACS II, and FLACS III (the "Charter Schools"). The Organization pays for certain operating expenses that benefit the entire organization and then allocates to each Charter School a percentage of these expenses based on the full time equivalent student enrollment at each Charter School. FLACS N was allocated \$809,586 from FLACS I, \$1,733,117 from FLACS II, and \$736,257 from FLACS III for the year ended June 30, 2019. FLACS N was allocated \$1,002,206 from FLACS I, \$1,616,029 from FLACS II, and \$820,317 from FLACS III for the year ended June 30, 2018.

Classrooms and office facilities of FLACS I are leased from LPAC, whose President is a member of the Board of the Organization. See Note G for further details and future minimum lease payments. During the years ended June 30, 2019 and 2018, the Organization had approximately \$63,000 and \$69,000, respectively, of receivables from LPAC.

The Organization is a guarantor of a mortgage in the name of LPAC. The term of the guarantee on the LPAC mortgage is through January 2018, at which time an option to extend for an additional 5 years was granted, until January 2023. The Organization would be required to pay the loan in the event of default and as of June 30, 2019 and 2018, the outstanding balance of the mortgage note is approximately \$1,610,000 and \$1,641,000, respectively. At June 30, 2019 and 2018, the maximum amount of future payments (undiscounted) the Organization could be required to make under the guarantee is \$2,518,000 and \$2,705,000, respectively.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE C: RELATED PARTY TRANSACTIONS, Cont'd

During August 2017, the Organization became the guarantor of multiple loans of CG Educational Holdings, Inc. ("CG"). Prior to November 2016, the Organization held a membership interest in CG; however, in November 2016, the Organization transferred and assigned its membership interest to LPAC; therefore, CG is now wholly owned by LPAC. The loans are for the acquisition and remodeling of a building for a middle school leased to FLACS II, see Note G for more information. The aggregate principal balance of the loans as of June 30, 2019 and 2018 was approximately \$31,351,000 and \$30,973,000, respectively. The Organization's guaranty shall never be greater than 10% of the total development cost, which as of June 30, 2019 and 2018, was approximately \$31,351,000 and \$30,973,000, respectively. At June 30, 2019 and 2018, the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee is approximately \$3,135,100 and \$3,097,300, respectively. The term of the guarantee on the loans is through the end of the lease which is in 2039; however, if the Organization meets certain conditions, they can be released from the guaranty prior to the end of the lease. The Organization fully expects this debt will be repaid by CG in accordance with its terms.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 3,999,960	\$ 3,831,648
Furniture and fixtures	1,376,665	1,038,203
Computers and equipment	<u>2,346,182</u>	<u>1,875,398</u>
	7,722,807	6,745,249
Less accumulated depreciation and amortization	<u>4,682,329</u>	<u>4,056,451</u>
	<u>\$ 3,040,478</u>	<u>\$ 2,688,798</u>

At June 30, 2019, \$21,263 of construction in progress was included in leasehold improvements; which was mainly for improvements to the new FLACS II middle school facility expected to be utilized in the 2020 school year. At June 30, 2018, \$45,373 of construction in progress was included in leasehold improvements; which was mainly for improvements to the FLACS II facility that were utilized in the 2019 school year.

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense was \$626,566 and \$568,946 for the years ended June 30, 2019 and 2018, respectively.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE E: CAPITAL LEASES PAYABLE

The Organization entered into a capital lease payable during August 2017, payable in annual installments, including interest at .35066% per annum, through September 2019. The capital lease payable is secured by certain equipment. The capital lease had \$133,226 and \$264,595 outstanding as of June 30, 2019 and 2018, respectively.

The lease agreement is through August 2020 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2019 and 2018. The net book value of this equipment was \$250,486 and \$329,587 at June 30, 2019 and 2018, respectively.

The Organization entered into a capital lease payable during July 2018, payable in annual installments, including interest at .36052% per annum, through July 2020. The capital lease payable is secured by certain equipment. The capital lease had \$54,374 outstanding as of June 30, 2019.

The lease agreement is through August 2021 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2019 and 2018. The net book value of this equipment was \$67,733 at June 30, 2019.

Interest expense related to the capital leases was \$1,221 and \$1,387 during the years ended June 30, 2019 and 2018, respectively.

The future maturities of the capital leases payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 160,418
2021	<u>27,182</u>
	<u>\$ 187,600</u>

NOTE F: EQUIPMENT LEASES

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through July 2022. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 69,573
2021	69,573
2022	69,573
2023	<u>5,798</u>
	<u>\$ 214,517</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE G: SCHOOL FACILITIES

FLACS I leased classrooms and office facilities under a non-cancelable lease agreement originally expiring in June 2018. The lease was amended effective September 1, 2016 with an expiration date of June 30, 2022 and a revised payment schedule. FLACS I's base rent for the years ended June 30, 2019 and 2018 was \$986,661 and \$967,364, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2019 and 2018. Additionally, during the years ended June 30, 2019 and 2018, a portion of the FLACS I facility was used for FLACS II students, therefore \$383,680 and \$327,880 of this base rent was allocated to FLACS II, respectively. Total rent expense relative to this lease was \$993,577 and \$994,081 for the years ended June 30, 2019 and 2018, respectively. In conjunction with this facility lease, FLACS I paid a security deposit of \$155,833 which is included in security deposits on the accompanying statement of financial position at June 30, 2019 and 2018.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 1,011,780
2021	1,037,811
2022	<u>1,068,947</u>
	<u>\$ 3,118,538</u>

FLACS II leases classrooms and office facilities under a non-cancelable lease agreement expiring in June 2038 which they assumed from their former landlord effective January 2015. FLACS II's base rent for the years ended June 30, 2019 and 2018 was \$569,894 and \$534,816, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2019 and 2018. In connection with the assumption of this lease, the former landlord agreed to share in the cost of FLACS II making certain leasehold improvements to the building in accordance with the terms of the agreement. During the year ended June 30, 2018, \$82,859 had been advanced to FLACS II in addition to advances made in prior years, and was recorded as a "Deferred lease incentive" on the accompanying statement of financial position at June 30, 2018. These reimbursements will be recognized as a reduction of rent expense on a straight line basis over the term of the lease. Rent expense relative to this lease was \$799,806 for the years ended June 30, 2019 and 2018. Also in conjunction with this facility lease, FLACS II paid a security deposit of \$163,477, as of June 30, 2019 and 2018, which is included in security deposits on the accompanying statement of financial position at June 30, 2019 and 2018.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE G: SCHOOL FACILITIES, Cont'd

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 592,690
2021	616,397
2022	641,053
2023	666,695
2024	693,363
Thereafter	<u>13,190,257</u>
	<u>\$ 16,400,455</u>

On August 11, 2017, FLACS II signed a lease agreement with CG for a new middle school building as described in Note C. The lease has a twenty year term upon completion of the building. The certificate of occupancy was issued April 30, 2019 and FLACS II had access to the building at that time. Rent payments commenced July 1, 2019 and go through July 1, 2038. The lease term ends June 30, 2039. The base rent increases in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2019. Rent expense relative to this lease was \$579,130 for the year ended June 30, 2019.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 2,743,225
2021	2,811,806
2022	2,882,101
2023	2,954,153
2024	3,028,007
Thereafter	<u>55,655,453</u>
	<u>\$ 70,074,745</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE G: SCHOOL FACILITIES, Cont'd

FLACS III leases classrooms and office facilities under a non-cancelable lease agreement expiring in August 2038. FLACS III's base rent for the years ended June 30, 2019 and 2018 was \$1,010,533 and \$981,100, respectively. The base rent increased in accordance with the lease agreement. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to "Deferred rent payable" in the accompanying statement of financial position at June 30, 2019 and 2018. Additionally, during the year ended June 30, 2019, a portion of the FLACS III facility was used for FLACS II students, therefore \$185,362 of this base rent was allocated to FLACS II. Rent expense relative to this lease was \$1,263,047 and \$1,278,049 for the years ended June 30, 2019 and 2018, respectively.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 1,040,849
2021	1,072,074
2022	1,104,237
2023	1,137,364
2024	1,171,485
Thereafter	<u>17,404,250</u>
	<u>\$ 22,930,259</u>

The total lease expense for all these leases, as outlined above, was approximately \$3,635,560 and \$3,072,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE H: RETIREMENT PLAN

The Organization sponsors a 401(k) plan (the "Plan") for all eligible employees that are predominantly funded by employees' contributions. The Organization matches employees' contributions up to 4% of their annual salary. During the years ended June 30, 2019 and 2018, the Organization contributed approximately \$195,000 and \$148,300, respectively, to the Plan.

NOTE I: 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 Organization. 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.

FAMILY LIFE ACADEMY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE J: CONCENTRATIONS

At June 30, 2019, approximately 74% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2019, 77% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

At June 30, 2018, approximately 87% of grants and other receivables are due from the New York State Department of Education relating to certain grants. During the year ended June 30, 2018, 79% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Organization's students are located.

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Undesignated	\$ 2,032,135	\$ 993,735
Invested in property and equipment, net of related debt	<u>2,852,878</u>	<u>2,424,203</u>
	<u>\$ 4,885,013</u>	<u>\$ 3,417,938</u>

NOTE L: LINE OF CREDIT

In July 2018, the Organization entered into a line of credit agreement with a bank with maximum borrowings of \$400,000. The line bears interest at the prime rate plus 2% per annum and is secured primarily by the assets of the Organization. There was no balance outstanding at June 30, 2019 or 2018. The line expires in August 2020.

NOTE M: FUNCTIONAL EXPENSES

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

FAMILY LIFE ACADEMY CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Family Life Academy Charter Schools

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2019, and have issued our report thereon dated October 16, 2019, 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 year ended June 30, 2019, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 16, 2019

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2019

<u>ASSETS</u>	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT ASSETS</u>						
Cash and cash equivalents	\$ 1,195,263	\$ 2,276,121	\$ 1,320,548	\$ 301,596	\$ -	\$ 5,093,528
Certificate of deposit	28,172	2,240,830	-	-	-	2,269,002
Grants and other receivables	272,419	486,038	208,607	30	-	967,094
Interschool receivables	16,159	-	452,748	22,675	(491,582)	-
Prepaid expenses and other current assets	<u>84,565</u>	<u>60,279</u>	<u>87,061</u>	<u>83,090</u>	<u>-</u>	<u>314,995</u>
TOTAL CURRENT ASSETS	1,596,578	5,063,268	2,068,964	407,391	(491,582)	8,644,619
<u>PROPERTY AND EQUIPMENT, net</u>	298,699	2,033,869	399,431	308,479	-	3,040,478
<u>OTHER ASSETS</u>						
Security deposits	155,833	163,477	-	-	-	319,310
Cash in escrow	175,000	-	-	-	-	175,000
Due from related parties	<u>63,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,232</u>
	<u>394,065</u>	<u>163,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>557,542</u>
TOTAL ASSETS	<u>\$ 2,289,342</u>	<u>\$ 7,260,614</u>	<u>\$ 2,468,395</u>	<u>\$ 715,870</u>	<u>\$ (491,582)</u>	<u>\$ 12,242,639</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION BY CHARTER, Cont'd

JUNE 30, 2019

<u>LIABILITIES AND NET ASSETS</u>	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT LIABILITIES</u>						
Current portion of capital leases payable	\$ 10,095	\$ 15,043	\$ 2,054	\$ 133,226	\$ -	\$ 160,418
Accounts payable and accrued expenses	69,113	378,564	84,709	102,136	-	634,522
Interschool payables	-	491,582	-	-	(491,582)	-
Accrued payroll and benefits	279,338	419,229	199,073	73,729	-	971,369
Vacation accrual	34,349	118,494	55,848	131,155	-	339,846
Deferred revenue	15,585	1,216,636	440,729	-	-	1,672,950
TOTAL CURRENT LIABILITIES	<u>408,480</u>	<u>2,639,548</u>	<u>782,413</u>	<u>440,246</u>	<u>(491,582)</u>	<u>3,779,105</u>
<u>OTHER LIABILITIES</u>						
Capital leases payable	10,091	15,039	2,052	-	-	27,182
Deferred lease incentive	-	434,046	-	-	-	434,046
Deferred rent payable	137,806	1,783,278	1,119,187	-	-	3,040,271
	<u>147,897</u>	<u>2,232,363</u>	<u>1,121,239</u>	<u>-</u>	<u>-</u>	<u>3,501,499</u>
TOTAL LIABILITIES	<u>556,377</u>	<u>4,871,911</u>	<u>1,903,652</u>	<u>440,246</u>	<u>(491,582)</u>	<u>7,280,604</u>
<u>NET ASSETS</u>						
Without donor restrictions	1,722,903	2,321,743	564,743	275,624	-	4,885,013
With donor restrictions	10,062	66,960	-	-	-	77,022
	<u>1,732,965</u>	<u>2,388,703</u>	<u>564,743</u>	<u>275,624</u>	<u>-</u>	<u>4,962,035</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,289,342</u>	<u>\$ 7,260,614</u>	<u>\$ 2,468,395</u>	<u>\$ 715,870</u>	<u>\$ (491,582)</u>	<u>\$ 12,242,639</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2019

	<u>Family Life Academy Charter School I</u>	<u>Family Life Academy Charter School II</u>	<u>Family Life Academy Charter School III</u>	<u>Family Life Academy Charter School Network</u>	<u>Eliminations</u>	<u>Total</u>
Revenue, gains and other support:						
Public school district:						
Resident student enrollment	\$ 4,144,670	\$ 8,864,381	\$ 3,950,354	\$ -	\$ -	\$ 16,959,405
Students with disabilities	37,404	530,760	36,105	-	-	604,269
Grants and contracts:						
State and local	148,691	309,761	136,710	-	-	595,162
Federal - Title and IDEA	680,367	543,183	251,490	-	-	1,475,040
Federal - other	28,380	398,396	35,510	-	-	462,286
Food service/Child Nutrition Program	171,941	395,019	236,987	-	-	803,947
NYC DOE rental assistance	-	1,097,527	862,229	-	-	1,959,756
TOTAL REVENUE, GAINS AND OTHER SUPPORT	5,211,453	12,139,027	5,509,385	-	-	22,859,865
Expenses:						
Program services:						
Regular education	4,691,444	8,528,243	4,031,909	1,429,497	(1,431,921)	17,249,172
Special education	251,062	1,185,738	254,418	168,830	(169,195)	1,690,853
Total program services	4,942,506	9,713,981	4,286,327	1,598,327	(1,601,116)	18,940,025
Management and general	652,232	1,449,074	634,418	1,516,423	(1,518,815)	2,733,332
Fundraising and special events	39,297	84,125	35,738	158,902	(159,029)	159,033
TOTAL OPERATING EXPENSES	5,634,035	11,247,180	4,956,483	3,273,652	(3,278,960)	21,832,390
(DEFICIT) / SURPLUS FROM SCHOOL OPERATIONS	(422,582)	891,847	552,902	(3,273,652)	3,278,960	1,027,475
Support and other revenue:						
Contributions:						
Foundations	33,379	80,000	-	220,000	-	333,379
Individuals	-	1,000	-	4,710	-	5,710
Corporations	17,921	-	-	-	-	17,921
In-kind	1,800	-	-	-	-	1,800
Management fee income	-	-	-	3,278,960	(3,278,960)	-
Fundraising	-	3,727	1,796	123	-	5,646
Interest income	46,168	37,841	11,199	2,097	-	97,305
Other income	-	3,000	-	-	-	3,000
TOTAL SUPPORT AND OTHER REVENUE	99,268	125,568	12,995	3,505,890	(3,278,960)	464,761
CHANGE IN NET ASSETS	(323,314)	1,017,415	565,897	232,238	-	1,492,236
Net assets (deficit) at beginning of year	2,056,279	1,371,288	(1,154)	43,386	-	3,469,799
NET ASSETS AT END OF YEAR	\$ 1,732,965	\$ 2,388,703	\$ 564,743	\$ 275,624	\$ -	\$ 4,962,035

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL I

YEAR ENDED JUNE 30, 2019

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	12	\$ 544,903	\$ 26,292	\$ 571,195	\$ 111,808	\$ -	\$ 111,808	\$ 683,003
Instructional personnel	30	1,420,010	68,517	1,488,527	-	-	-	1,488,527
Non-instructional personnel	17	<u>376,375</u>	<u>18,160</u>	<u>394,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,535</u>
Total personnel services costs	59	2,341,288	112,969	2,454,257	111,808	-	111,808	2,566,065
Fringe benefits and payroll taxes		413,524	19,953	433,477	19,748	-	19,748	453,225
Retirement		24,809	1,197	26,006	1,185	-	1,185	27,191
Legal service		-	-	-	150	-	150	150
Other purchased / professional / consulting services		385,462	43,294	428,756	388,675	39,297	427,972	856,728
Building and land rent / lease		556,473	26,850	583,323	26,574	-	26,574	609,897
Repairs and maintenance		113,653	5,484	119,137	5,428	-	5,428	124,565
Insurance		1,176	57	1,233	31,749	-	31,749	32,982
Utilities		56,645	2,733	59,378	2,705	-	2,705	62,083
Supplies / materials		126,947	6,125	133,072	-	-	-	133,072
Equipment / furnishings		2,150	104	2,254	103	-	103	2,357
Staff development		190,072	9,171	199,243	-	-	-	199,243
Technology		42,879	2,069	44,948	47,141	-	47,141	92,089
Food services		165,463	7,984	173,447	-	-	-	173,447
Student services		85,980	4,149	90,129	-	-	-	90,129
Office expense		40,575	1,958	42,533	9,923	-	9,923	52,456
Depreciation and amortization		144,348	6,965	151,313	6,893	-	6,893	158,206
Other		-	-	-	150	-	150	150
		<u>\$ 4,691,444</u>	<u>\$ 251,062</u>	<u>\$ 4,942,506</u>	<u>\$ 652,232</u>	<u>\$ 39,297</u>	<u>\$ 691,529</u>	<u>\$ 5,634,035</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER –
FAMILY LIFE ACADEMY CHARTER SCHOOL II

YEAR ENDED JUNE 30, 2019

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	17	\$ 976,180	\$ 137,715	\$ 1,113,895	\$ 244,295	\$ -	\$ 244,295	\$ 1,358,190
Instructional personnel	51	2,413,801	340,527	2,754,328	-	-	-	2,754,328
Non-instructional personnel	9	<u>525,407</u>	<u>74,122</u>	<u>599,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599,529</u>
Total personnel services costs	77	3,915,388	552,364	4,467,752	244,295	-	244,295	4,712,047
Fringe benefits and payroll taxes		715,880	100,993	816,873	44,666	-	44,666	861,539
Retirement		51,104	7,209	58,313	3,188	-	3,188	61,501
Legal service		-	-	-	1,899	-	1,899	1,899
Other purchased / professional / consulting services		836,319	100,600	936,919	823,917	84,125	908,042	1,844,961
Building and land rent / lease		1,700,825	243,166	1,943,991	107,546	-	107,546	2,051,537
Repairs and maintenance		203,431	28,640	232,071	12,667	-	12,667	244,738
Insurance		2,298	324	2,622	63,788	-	63,788	66,410
Utilities		122,546	17,288	139,834	7,646	-	7,646	147,480
Supplies / materials		147,494	20,808	168,302	-	-	-	168,302
Equipment / furnishings		6,657	768	7,425	340	-	340	7,765
Staff development		22,276	3,143	25,419	3,909	-	3,909	29,328
Marketing / recruitment		-	-	-	54	-	54	54
Technology		20,953	2,956	23,909	58,893	-	58,893	82,802
Food services		352,881	49,783	402,664	-	-	-	402,664
Student services		151,515	21,375	172,890	-	-	-	172,890
Office expense		32,988	4,883	37,871	62,202	-	62,202	100,073
Depreciation and amortization		245,689	31,438	277,127	13,904	-	13,904	291,031
Other		(1)	-	(1)	160	-	160	159
		<u>\$ 8,528,243</u>	<u>\$ 1,185,738</u>	<u>\$ 9,713,981</u>	<u>\$ 1,449,074</u>	<u>\$ 84,125</u>	<u>\$ 1,533,199</u>	<u>\$ 11,247,180</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL III

YEAR ENDED JUNE 30, 2019

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	10	\$ 430,769	\$ 25,129	\$ 455,898	\$ 93,258	\$ -	\$ 93,258	\$ 549,156
Instructional personnel	25	1,146,644	66,890	1,213,534	-	-	-	1,213,534
Non-instructional personnel	6	145,776	8,504	154,280	-	-	-	154,280
Total personnel services costs	41	1,723,189	100,523	1,823,712	93,258	-	93,258	1,916,970
Fringe benefits and payroll taxes		298,636	17,421	316,057	16,162	-	16,162	332,219
Retirement		38,250	2,231	40,481	2,070	-	2,070	42,551
Legal services		-	-	-	350	-	350	350
Other purchased / professional / consulting services		370,542	40,831	411,373	351,046	35,738	386,784	798,157
Building and land rent / lease		1,048,819	61,183	1,110,002	56,761	-	56,761	1,166,763
Repairs and maintenance		57,329	3,344	60,673	3,103	-	3,103	63,776
Insurance		1,058	62	1,120	37,676	-	37,676	38,796
Utilities		43,603	2,544	46,147	2,360	-	2,360	48,507
Supplies / materials		84,681	4,940	89,621	-	-	-	89,621
Equipment / furnishings		1,449	84	1,533	78	-	78	1,611
Staff development		21,929	1,279	23,208	46	-	46	23,254
Technology		8,232	480	8,712	51,783	-	51,783	60,495
Food services		182,238	10,631	192,869	-	-	-	192,869
Student services		53,839	3,141	56,980	-	-	-	56,980
Office expense		25,957	1,466	27,423	15,775	-	15,775	43,198
Depreciation and amortization		72,984	4,258	77,242	3,950	-	3,950	81,192
Other		(826)	-	(826)	-	-	-	(826)
		<u>\$ 4,031,909</u>	<u>\$ 254,418</u>	<u>\$ 4,286,327</u>	<u>\$ 634,418</u>	<u>\$ 35,738</u>	<u>\$ 670,156</u>	<u>\$ 4,956,483</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER-
FAMILY LIFE ACADEMY CHARTER SCHOOL NETWORK

YEAR ENDED JUNE 30, 2019

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	23	\$ 945,368	\$ 92,018	\$ 1,037,386	\$ 982,535	\$ 130,583	\$ 1,113,118	\$ 2,150,504
Non-instructional personnel	-	-	-	-	-	-	-	-
Total personnel services costs	23	945,368	92,018	1,037,386	982,535	130,583	1,113,118	2,150,504
Fringe benefits and payroll taxes		158,634	15,441	174,075	164,871	21,912	186,783	360,858
Retirement		35,531	3,459	38,990	36,929	4,908	41,837	80,827
Legal service		-	-	-	11,376	-	11,376	11,376
Accounting / audit services		-	-	-	52,650	-	52,650	52,650
Other purchased / professional / consulting services		3,165	308	3,473	37,495	-	37,495	40,968
Insurance		-	-	-	6,683	-	6,683	6,683
Supplies / materials		80,709	37,544	118,253	-	-	-	118,253
Equipment / furnishings		-	-	-	5,357	-	5,357	5,357
Staff development		85,601	8,332	93,933	8,378	-	8,378	102,311
Marketing / recruitment		-	-	-	66,871	-	66,871	66,871
Technology		-	-	-	6,158	-	6,158	6,158
Office expense		72,216	7,614	79,830	82,291	1,499	83,790	163,620
Depreciation and amortization		42,262	4,114	46,376	49,761	-	49,761	96,137
Other		6,011	-	6,011	5,068	-	5,068	11,079
		<u>\$ 1,429,497</u>	<u>\$ 168,830</u>	<u>\$ 1,598,327</u>	<u>\$ 1,516,423</u>	<u>\$ 158,902</u>	<u>\$ 1,675,325</u>	<u>\$ 3,273,652</u>

FAMILY LIFE ACADEMY CHARTER SCHOOLS

BRONX, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND THE UNIFORM
GUIDANCE**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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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
Family Life Academy 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 Family Life Academy Charter Schools, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Life Academy Charter Schools' 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 Family Life Academy Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Family Life Academy Charter Schools' 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. 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 Family Life Academy Charter Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 16, 2019

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Family Life Academy Charter Schools

Report on Compliance for Each Major Federal Program

We have audited Family Life Academy Charter Schools’ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Family Life Academy Charter Schools’ major federal programs for the year ended June 30, 2019. Family Life Academy Charter Schools’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Family Life Academy Charter Schools’ 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* (CFR) 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 Family Life Academy Charter Schools’ 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 Family Life Academy Charter Schools’ compliance.

Opinion on Each Major Federal Program

In our opinion, Family Life Academy Charter Schools 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 Family Life Academy Charter Schools 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 Family Life Academy Charter Schools' 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 our 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 Family Life Academy Charter Schools' 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 were not 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Family Life Academy Charter Schools as of and for the year ended June 30, 2019, and have issued our report thereon dated October 16, 2019, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 16, 2019

FAMILY LIFE ACADEMY CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 770,756
Title IIA - Improving Teacher Quality	84.367	0147	212,450
Title III, Part A - English Language Acquisition Grants	84.365	0293	366,782
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	0204	50,268
Charter Schools Program - Grants for Replication and Expansion of High-Quality Charter Schools	84.282M	U282M170049	<u>349,305</u>
TOTAL DEPARTMENT OF EDUCATION			1,749,561
U.S. Department of Agriculture:			
<u>Passed through NYS Department of Education</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	1000001406	193,693
National School Lunch Program	10.555	1000001406	<u>590,652</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>784,345</u>
TOTAL ALL PROGRAMS			<u>\$ 2,533,906</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of federal awards (the “schedule”) includes the federal grant activity of Family Life Academy Charter Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Family Life Academy Charter Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

FAMILY LIFE ACADEMY CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Type of auditor's 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 no

Identification of major federal program:

CFDA Number:

10.553
10.555

Name of Federal Program or Cluster:

Child Nutrition Cluster
School Breakfast Program
National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? yes no

FAMILY LIFE ACADEMY CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2019

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.