

**NEW WORLD PREPARATORY CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2016 AND 2015**

# NEW WORLD PREPARATORY CHARTER SCHOOL

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# KOCH GROUP & COMPANY, LLP

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
New World Preparatory Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New World Preparatory Charter School, which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New World Preparatory Charter School as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the New World Preparatory Charter School taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and are not a required part of the basic 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 functional expenditures is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016, on our consideration of New World Preparatory 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Koch Group + Company, LLP*  
Certified Public Accountants

New York, New York  
October 18, 2016

**NEW WORLD PREPARATORY CHARTER SCHOOL**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30,**

**ASSETS**

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 2,777,133	\$ 1,677,403
Grants and contracts receivable	155,925	66,811
Prepaid expenses	<u>9,608</u>	<u>9,608</u>
Total Current Assets	2,942,666	1,753,822
<b>PROPERTY AND EQUIPMENT, net</b>	<u>536,155</u>	<u>438,752</u>
Total Assets	<u><u>\$ 3,478,821</u></u>	<u><u>\$ 2,192,574</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 131,556	\$ 290,248
Accrued expenses	<u>473,750</u>	<u>363,177</u>
Total Current Liabilities	605,306	653,425
<b>NET ASSETS - UNRESTRICTED</b>	<u>2,873,515</u>	<u>1,539,149</u>
Total Liabilities and Net Assets	<u><u>\$ 3,478,821</u></u>	<u><u>\$ 2,192,574</u></u>

See notes to financial statements.

**NEW WORLD PREPARATORY CHARTER SCHOOL**

STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30,

**UNRESTRICTED NET ASSETS**

	<u>2016</u>	<u>2015</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>		
Public School District		
Resident student enrollment	\$ 6,688,234	\$ 6,011,221
Grants and Contracts		
State and local	112,930	36,230
Federal - Title and IDEA	223,283	159,409
Federal - Other	-	13,256
Food Service/Child Nutrition Program	110,208	97,656
Special event, net of direct costs of \$135,526	192,743	-
Contributions - Foundation/Individual/Corporation	27,522	6,327
Interest and other income	8,958	20,951
	<u>7,363,878</u>	<u>6,345,050</u>
<b>EXPENSES</b>		
Program Expenses		
Regular education	4,440,568	4,422,690
Special education	990,104	1,096,744
	<u>5,430,672</u>	<u>5,519,434</u>
Supporting Services		
Management and general	598,840	440,680
Fundraising	-	91,204
	<u>6,029,512</u>	<u>6,051,318</u>
CHANGE IN NET ASSETS	1,334,366	293,732
<b>NET ASSETS</b>		
Beginning of year	<u>1,539,149</u>	<u>1,245,417</u>
End of year	<u><u>\$ 2,873,515</u></u>	<u><u>\$ 1,539,149</u></u>

See notes to financial statements.

**NEW WORLD PREPARATORY CHARTER SCHOOL**

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30,

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,334,366	\$ 293,732
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Depreciation	210,057	238,242
Changes in Operating Assets and Liabilities		
Grants and contracts receivable	(89,114)	(1,226)
Prepaid expenses	-	7,709
Accounts payable	(158,692)	239,295
Accrued expenses	110,573	(50,549)
Net cash from operating activities	1,407,190	727,203
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	(307,460)	(175,625)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,099,730	551,578
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,677,403	1,125,825
End of year	\$ 2,777,133	\$ 1,677,403

See notes to financial statements.

# NEW WORLD PREPARATORY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### 1. **Organization**

New World Preparatory Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Staten Island, New York. The School was granted a five-year charter in February 2010 and commenced sixth grade classes in September 2010. Seventh and eighth grades were added in 2011 and 2012. The School’s charter was renewed in January 2015 for an additional three years. The School provides an exceptional education for students by employing research-proven strategies to raise middle school academic achievement including academic rigor and relevance, personalization, focused professional development, and meaningful engagement of families and the larger community.

### 2. **Summary of Significant Accounting Policies**

#### *Basis of Presentation and Use of Estimates*

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

#### *Net Asset Presentation*

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted amounts are those currently available at the discretion of the board for use in the operations of the School. Temporarily restricted amounts are restricted by donor imposed restrictions as to use or time restricted. When a restriction expires, temporarily restricted net assets are re-classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted amounts contain donor imposed restrictions to be maintained permanently by the School.

There are no temporarily or permanently restricted net assets at June 30, 2016.

#### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.



# NEW WORLD PREPARATORY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### 2. Summary of Significant Accounting Policies (Continued)

#### *Revenue Recognition*

Tuition revenue is from state and local government sources for student tuition and other school-related income. The School recognizes tuition and other school-related income as revenue during the applicable school year in which the revenue is earned.

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

#### *Grants Receivable*

Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. At June 30, 2016, there are no allowances recorded, as management believes all amounts are collectible.

#### *Property and Equipment*

Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset; 5 years for improvements and 3-7 years for furniture and equipment.

#### *Donated Goods and Services*

The School receives donated services from unpaid volunteers. No amounts have been recognized in the statement of activities since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

## NEW WORLD PREPARATORY CHARTER SCHOOL

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

#### 2. Summary of Significant Accounting Policies (Continued)

##### *Functional Allocation of Expenses*

Expenses have been charged to program and supporting services, either directly when identifiable to a specific program, or indirectly based on management's estimate of the functional area benefited.

##### *Prior Year Summarized Comparative Information*

Information as of and for the year ended June 30, 2015 is presented for comparative purposes only. The notes to the financial statements and certain activity by net asset classification are not included in this report. Accordingly, 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 School's financial statements as of and for the year ended June 30, 2015, from which the summarized comparative information was derived.

##### *Income Taxes*

New World Preparatory Charter School filed and received approval of its application for tax exempt status from the Internal Revenue Service under section 501(c)(3) of the Internal Revenue code to be classified as a publicly supported organization as described in Internal Revenue Code section 509 (A)(1) and 170 (B)(1)(A)(II).

Management has determined that the School had no uncertain tax positions that would require financial statement recognition. The School is no longer subject to income tax examination by federal, state or local tax authorities for periods prior to June 30, 2012.

##### *Subsequent Events*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 18, 2016.

**NEW WORLD PREPARATORY CHARTER SCHOOL**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

**3. Property and Equipment**

At June 30, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Improvements	\$ 999,389	\$ 776,110
Furniture and fixtures	141,063	127,683
Computer equipment	548,607	486,875
Office equipment	8,491	5,812
Telephone equipment	20,453	14,063
	<u>1,718,003</u>	<u>1,410,543</u>
Less: accumulated depreciation	<u>(1,181,848)</u>	<u>(971,791)</u>
Total	<u>\$ 536,155</u>	<u>\$ 438,752</u>

**4. Accrued Expenses**

Accrued expenses consist primarily of amounts due to staff for payroll earned during the school year but paid out over the summer months.

**5. Retirement Plan**

The School offers a 401(k) plan (the "Plan") for all employees after three months of service. Under the Plan, the School will match employee contributions up to 4% of annual compensation. For the years ended June 30, 2016 and 2015, the School's matching contributions to the Plan was \$92,278 and \$64,479.

**6. Concentration of Risk**

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

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, which might have a material impact on the School's financial position, results of operations and cash flows.

**NEW WORLD PREPARATORY CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**7. Commitments**

The School is a lessee under an operating lease, principally for classroom space and administrative offices and expires August 31, 2018. For the years ended June 30, 2016 and 2015, rental expense was \$115,300 and \$109,519.

Minimum lease payments for the next three years are as follows:

Year ended June 30,

2017	120,000
2018	120,000
2019	20,000

**8. Food and Transportation**

The New York City Department of Education provides free lunches directly to a majority of the School's students. Such costs are not included in these financial statements. The School covers the unreimbursed cost of lunches for children not entitled to free lunches. The office of Pupil Transportation provides free transportation to the majority of the students during the district's school days.

**9. Contingency**

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

**NEW WORLD PREPARATORY CHARTER SCHOOL**

**SCHEDULE OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2016

(With Summarized Comparative Information for the Year Ended June 30, 2015)

	No. of position	Regular Education	Special Education	Total Programs	Management & General	Total 2016	Total 2015
<u>Personnel Services Costs</u>							
Administrative staff personnel	11	\$ 446,328	\$ 13,674	\$ 460,002	\$ 234,651	\$ 694,653	\$ 804,129
Instructional personnel	45	1,950,891	478,160	2,429,051	-	2,429,051	2,160,939
Non-instructional personnel	5	151,862	4,653	156,515	79,839	236,354	179,899
Total Personnel Services Costs		<u>2,549,081</u>	<u>496,487</u>	<u>3,045,568</u>	<u>314,490</u>	<u>3,360,058</u>	<u>3,144,967</u>
<u>Operating Expenses</u>							
Payroll taxes and fringe benefits		518,952	101,077	620,029	64,025	684,054	602,848
Retirement		70,006	13,635	83,641	8,637	92,278	64,479
Contracted services							
- financial and administrative		252,000	96,000	348,000	27,000	375,000	420,250
Contracted services - other		34,150	6,651	40,801	4,213	45,014	309,274
Administrative		37,875	7,377	45,252	4,673	49,925	30,710
Marketing and recruitment		12,927	2,518	15,445	1,595	17,040	9,293
Insurance		40,054	7,801	47,855	39,894	87,749	94,986
Legal and professional		-	-	-	14,000	14,000	14,960
Repairs and maintenance		123,534	24,061	147,595	15,241	162,836	117,950
Occupancy		87,471	17,037	104,508	10,792	115,300	109,519
School and staff development		198,670	38,695	237,365	24,511	261,876	301,023
Student services		2,575	44,896	47,471	330	47,801	3,208
Field trips		15,591	3,631	19,222	2,136	21,358	9,135
Food service		85,962	24,246	110,208	-	110,208	97,656
Supplies and instructional materials		109,672	21,361	131,033	13,531	144,564	188,659
Equipment leasing and furnishings		46,431	9,043	55,474	5,728	61,202	68,868
Technology		24,934	4,856	29,790	3,076	32,866	80,284
Utilities		41,079	8,001	49,080	5,068	54,148	60,538
Depreciation		159,358	31,038	190,396	19,661	210,057	238,242
Other expenses		30,246	31,693	61,939	20,239	82,178	84,469
Total Operating Expenses		<u>1,891,487</u>	<u>493,617</u>	<u>2,385,104</u>	<u>284,350</u>	<u>2,669,454</u>	<u>2,906,351</u>
<b>TOTAL EXPENSES</b>		<u>\$ 4,440,568</u>	<u>\$ 990,104</u>	<u>\$ 5,430,672</u>	<u>\$ 598,840</u>	<u>\$ 6,029,512</u>	<u>\$ 6,051,318</u>

See independent auditor's report



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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***

To the Board of Trustees of  
New World Preparatory Charter School

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 New World Preparatory Charter School, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether New World Preparatory 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*.

## **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.

*Koch Group + Company, LLP*  
Certified Public Accountants

New York, New York  
October 18, 2016