

TAPESTRY CHARTER SCHOOL

Financial Statements

Years Ended June 30, 2019 and 2018

(With Independent Auditor's Report Thereon)

TAPESTRY CHARTER SCHOOL

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Independent Auditor's Report

To the Board of Directors
Tapestry Charter School
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Tapestry Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tapestry Charter School 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 Prior Period Financial Statements

The financial statements as of June 30, 2018, were audited by Amato, Fox & Company, P.C., who merged with Tette, Ingersoll & Co., CPA's, PC during 2019, and whose report dated October 26, 2018, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of Tapestry 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* in considering Tapestry Charter School's internal control over financial reporting and compliance.

Tette, Ingersoll & Co., CPAs, PC

Tonawanda, New York

October 31, 2019

TAPESTRY CHARTER SCHOOL
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash	\$ 5,383,455	\$ 5,068,232
Accounts receivable	281,795	420,647
Prepaid expenses	12,426	9,143
Total current assets	5,677,676	5,498,022
Property and equipment , net of accumulated depreciation of \$6,908,899 and \$5,710,678 in 2019 and 2018	29,376,735	12,203,605
Investments , held in trust	3,975,353	8,926,945
Other assets:		
Construction in progress	-	12,628,812
Restricted cash reserve	75,000	-
Security deposit	250	250
Total assets	\$ 39,105,014	\$ 39,257,634
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 234,271	\$ 280,522
Accrued expenses	2,377,830	2,235,262
Deferred revenue	114,304	28,208
Bonds payable, current maturities	400,000	-
Total current liabilities	3,126,405	2,543,992
Long term liabilities:		
Bonds payable, net	33,219,018	33,603,970
Total liabilities	36,345,423	36,147,962
Net assets:		
Without donor restrictions	2,650,129	3,071,578
With donor restrictions	109,462	38,094
Total net assets	2,759,591	3,109,672
Total liabilities and net assets	\$ 39,105,014	\$ 39,257,634

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

TAPESTRY CHARTER SCHOOL
Statement of Activities
Year Ended June 30, 2019
(with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Revenues, Gains and Other Support:				
Public School District:				
Revenue - Resident student enrollment	\$ 12,849,100	\$ -	\$ 12,849,100	\$ 11,344,267
Revenue - Students with disabilities	734,262	-	734,262	815,772
Grants and contracts	-	465,152	465,152	662,271
Cafeteria income	360,690	-	360,690	340,506
Contributions	4,134	39,786	43,920	9,975
Fundraising income, net of direct expenses of \$19,110	11,379	-	11,379	4,882
Rental of facilities	3,765	-	3,765	6,805
Interest income	118,452	-	118,452	139,054
Miscellaneous income	199,554	-	199,554	84,941
Net assets released from restrictions:				
Satisfaction of program restrictions	433,570	(433,570)	-	-
Total revenues, gains and other support	<u>14,714,906</u>	<u>71,368</u>	<u>14,786,274</u>	<u>13,408,473</u>
Expenses and Losses:				
Program services:				
Regular education	10,566,182	-	10,566,182	7,476,033
Special education	1,155,980	-	1,155,980	860,101
Other programs	1,407,910	-	1,407,910	1,345,368
Total program services	<u>13,130,072</u>	<u>-</u>	<u>13,130,072</u>	<u>9,681,502</u>
Supporting services:				
Management and general	1,984,339	-	1,984,339	3,459,715
Development activities	21,944	-	21,944	5,537
Total expenses	<u>15,136,355</u>	<u>-</u>	<u>15,136,355</u>	<u>13,146,754</u>
Early extinguishment of debt	-	-	-	468,335
Total expenses and losses	<u>15,136,355</u>	<u>-</u>	<u>15,136,355</u>	<u>13,615,089</u>
Change in net assets	(421,449)	71,368	(350,081)	(206,616)
Net assets at beginning of year	<u>3,071,578</u>	<u>38,094</u>	<u>3,109,672</u>	<u>3,316,288</u>
Net assets at end of year	<u>\$ 2,650,129</u>	<u>\$ 109,462</u>	<u>\$ 2,759,591</u>	<u>\$ 3,109,672</u>

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Statement of Activities
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Public School District:			
Resident student enrollment	11,344,267	\$ -	\$ 11,344,267
Students with disabilities	815,772	-	815,772
Grants and contracts	-	662,271	662,271
Cafeteria income	340,506	-	340,506
Contributions	6,038	3,937	9,975
Fundraising income, net of direct expenses of \$25,670	4,882	-	4,882
Rental of facilities	6,805	-	6,805
Interest income	139,054	-	139,054
Miscellaneous income	84,941	-	84,941
Net assets released from restrictions:			
Satisfaction of program restrictions	665,550	(665,550)	-
Total revenues, gains and other support	<u>13,407,815</u>	<u>658</u>	<u>13,408,473</u>
Expenses and Losses:			
Program services:			
Regular education	7,476,033	-	7,476,033
Special education	860,101	-	860,101
Other programs	1,345,368	-	1,345,368
Total program services	<u>9,681,502</u>	<u>-</u>	<u>9,681,502</u>
Supporting services:			
Management and general	3,459,715	-	3,459,715
Development activities	5,537	-	5,537
Total expenses	<u>13,146,754</u>	<u>-</u>	<u>13,146,754</u>
Early extinguishment of debt	468,335	-	468,335
Total expenses and losses	<u>13,615,089</u>	<u>-</u>	<u>13,615,089</u>
Change in net assets	(207,274)	658	(206,616)
Net assets at beginning of year	<u>3,278,852</u>	<u>37,436</u>	<u>3,316,288</u>
Net assets at end of year	<u>\$ 3,071,578</u>	<u>\$ 38,094</u>	<u>\$ 3,109,672</u>

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Statement of Functional Expenses
Year Ended June 30, 2019
(with comparative totals for 2018)

	No. of Positions	Program Services				Supporting Services		Total	
		Regular Education	Special Education	Other Programs	Total	Management and General	Development Activities	2019	2018
Salaries and wages:									
Administrative staff	24	\$ -	\$ -	\$ -	\$ -	\$ 711,048	\$ 17,745	\$ 728,793	\$ 918,316
Instrucional	111	5,602,326	716,380	-	6,318,706	-	-	6,318,706	5,235,926
Non-instructional	21	-	-	689,115	689,115	-	-	689,115	799,007
Total salaries	<u>156</u>	<u>5,602,326</u>	<u>716,380</u>	<u>689,115</u>	<u>7,007,821</u>	<u>711,048</u>	<u>17,745</u>	<u>7,736,614</u>	<u>6,953,249</u>
Payroll taxes		414,902	53,054	51,035	518,991	52,660	1,314	572,965	516,091
Employee benefits		910,823	116,469	112,036	1,139,328	115,602	2,885	1,257,815	1,073,105
Food service		-	-	188,192	188,192	-	-	188,192	158,067
Accounting and legal		-	-	-	-	212,758	-	212,758	193,859
Books and instructional material		16,644	-	-	16,644	-	-	16,644	5,108
Instructional consultants		49,952	82,664	-	132,616	-	-	132,616	81,648
Contracted services		-	-	-	-	218,695	-	218,695	224,659
Travel and conferences		5,670	-	-	5,670	-	-	5,670	7,210
Utilities		-	-	-	-	154,924	-	154,924	125,343
Classroom supplies		56,656	-	-	56,656	-	-	56,656	87,843
Arts, dance and music		29,317	-	-	29,317	-	-	29,317	18,936
Scholarships		-	-	1,000	1,000	-	-	1,000	2,500
Student services		11,015	-	6,575	17,590	-	-	17,590	10,909
Staff development		103,706	-	-	103,706	-	-	103,706	59,481
Interest expense		1,308,462	81,779	81,779	1,472,020	163,558	-	1,635,578	1,523,745
Office expense		-	-	-	-	80,648	-	80,648	55,790
Advertising and promotion		-	-	-	-	15,244	-	15,244	28,024
Maintenance and repairs		505,601	31,601	31,600	568,802	63,200	-	632,002	350,521
Telephone		44,599	2,787	2,788	50,174	5,575	-	55,749	31,111
Technology expense		196,660	-	-	196,660	-	-	196,660	196,955
Field trips and activities		91,921	-	103,164	195,085	-	-	195,085	149,999
Student testing and assessment		77,981	-	-	77,981	-	-	77,981	60,759
Sports expenses		-	-	56,756	56,756	-	-	56,756	63,140
Insurance		128,983	8,061	8,061	145,105	16,123	-	161,228	172,049
Vehicle expense		-	-	12,624	12,624	-	-	12,624	5,575
Mobile classroom		-	-	-	-	-	-	-	129,726
Miscellaneous		-	-	-	-	47,934	-	47,934	49,031
Depreciation and amortization		1,010,964	63,185	63,185	1,137,334	126,370	-	1,263,704	812,321
Total		\$10,566,182	\$1,155,980	\$ 1,407,910	\$13,130,072	\$1,984,339	\$ 21,944	\$15,136,355	\$13,146,754

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Statement of Functional Expenses
Year Ended June 30, 2018

	<u>No. of Position</u>	<u>Program Services</u>			<u>Supporting Services</u>			
		<u>Regular Education</u>	<u>Special Education</u>	<u>Other Programs</u>	<u>Total</u>	<u>Management and General</u>	<u>Development Activities</u>	<u>Total</u>
Salaries and wages:								
Administrative staff	19	\$ -	\$ -	\$ -	\$ -	\$ 918,316	\$ -	\$ 918,316
Instrucional	120	4,641,744	594,182	-	5,235,926	-	-	5,235,926
Non-instructional	18	-	-	799,007	799,007	-	-	799,007
Total salaries	<u>157</u>	<u>4,641,744</u>	<u>594,182</u>	<u>799,007</u>	<u>6,034,933</u>	<u>918,316</u>	<u>-</u>	<u>6,953,249</u>
Payroll taxes		344,524	44,102	59,305	447,931	68,160	-	516,091
Employee benefits		716,367	91,701	123,312	931,380	141,725	-	1,073,105
Food service		-	-	158,067	158,067	-	-	158,067
Accounting and legal		-	-	-	-	193,859	-	193,859
Books and instructional material		5,108	-	-	5,108	-	-	5,108
Instructional consultants		19,832	61,816	-	81,648	-	-	81,648
Contracted services		-	-	-	-	224,659	-	224,659
Travel and conferences		7,210	-	-	7,210	-	-	7,210
Utilities		-	-	-	-	125,343	-	125,343
Classroom supplies		87,843	-	-	87,843	-	-	87,843
Arts, dance and music		18,936	-	-	18,936	-	-	18,936
Scholarships		-	-	2,500	2,500	-	-	2,500
Student services		9,824	-	1,085	10,909	-	-	10,909
Staff development		59,481	-	-	59,481	-	-	59,481
Interest expense		-	-	-	-	1,523,745	-	1,523,745
Office expense		-	-	-	-	55,790	-	55,790
Advertising and promotion		-	-	-	-	28,024	-	28,024
Maintenance and repairs		280,417	17,526	17,526	315,469	31,547	3,505	350,521
Telephone		24,889	1,555	1,556	28,000	2,800	311	31,111
Technology expense		196,955	-	-	196,955	-	-	196,955
Field trips and activities		84,922	-	65,077	149,999	-	-	149,999
Student testing and assessment		60,759	-	-	60,759	-	-	60,759
Sports expenses		-	-	63,140	63,140	-	-	63,140
Insurance		137,639	8,603	8,602	154,844	15,484	1,721	172,049
Vehicle expense		-	-	5,575	5,575	-	-	5,575
Mobile classroom		129,726	-	-	129,726	-	-	129,726
Miscellaneous		-	-	-	-	49,031	-	49,031
Depreciation and amortization		649,857	40,616	40,616	731,089	81,232	-	812,321
Total		<u>\$7,476,033</u>	<u>\$ 860,101</u>	<u>\$1,345,368</u>	<u>\$9,681,502</u>	<u>\$3,459,715</u>	<u>\$ 5,537</u>	<u>\$ 13,146,754</u>

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from public school districts	\$ 13,547,125	\$ 12,482,061
Cash received from grants	723,408	442,774
Cash received from contributions	43,920	9,975
Cash received from cafeteria	355,288	340,852
Cash received from other sources	318,793	232,676
Payments to employees for services and benefits	(9,400,491)	(8,571,531)
Payments to vendors and suppliers	(4,406,873)	(2,987,008)
Net cash provided by operating activities	1,181,170	1,949,799
Cash flows from investing activities:		
Construction in progress payments	-	(12,550,859)
Purchase of property and equipment	(790,947)	(46,269)
Purchase of restricted bond investments	-	(8,926,945)
Net cash used in investing activities	(790,947)	(21,524,073)
Cash flows from financing activities:		
Payments related to debt extinguishment	-	(468,335)
Proceeds from bond financing	-	22,659,825
Payments on bond issuance costs	-	(924,581)
Net cash provided by financing activities	-	21,266,909
Net increase in cash	390,223	1,692,635
Cash at beginning of period	5,068,232	3,375,597
Cash at end of period	\$ 5,458,455	\$ 5,068,232

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Statements of Cash Flows, Continued
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	\$ (350,081)	\$ (206,616)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	1,263,705	812,321
Early extinguishment of debt	-	468,335
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	138,852	101,858
Prepaid expenses	(3,283)	12,932
Increase (decrease) in:		
Accounts payable	(46,251)	146,412
Accrued expenses	92,132	649,293
Deferred revenue	86,096	(34,736)
	\$ 1,181,170	\$ 1,949,799
Supplemental schedule of cash flow information:		
Cash paid for interest	\$ 1,686,013	\$ 850,456

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - The mission of Tapestry Charter School (the School) is to educate and inspire a diverse community of K-12 learners by engaging them in rigorous real-world learning experiences which prioritize intellectual, social and emotional growth. The School provides an environment where students are encouraged to become self-directed, independent learners. Progressive, interdisciplinary teaching techniques are utilized along with the best resources available to fit the individual learning style of each student. Parent involvement is a significant component in the success of the School. The School enrolls students from families of diverse cultural, racial and socio-economic backgrounds.

The School received a provisional charter on April 24, 2001 from the Education Department of the State of New York. This charter has been renewed and extended through April 24, 2021 in accordance with the provisions of Article 5b of the Education Law.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958-205-45. Under ASC Topic 958-205-45, the School is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Use of Estimates - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Equivalents - For purposes of the statements of cash flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur. This is included as other assets on the statement of financial position as of June 30, 2019 and 2018.

Receivables - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There was no valuation allowance at June 30, 2019 and 2018.

Long-Lived Assets - The School reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. At June 30, 2019, no impairment in value has been recognized.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Property and Equipment - Property and equipment are stated at cost, except for donated property and equipment, which is stated at the estimated fair market value at date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation of property and equipment is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Upon disposal of property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. Estimated service lives are as follows:

• Land improvements	10 – 15 years
• Buildings and improvements	5 – 30 years
• Equipment	3 – 7 years
• Vehicles	5 years

Promises to Give - Contributions are recognized when the donor makes an unconditional promise to give to the School. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Grant awards are classified as refundable advances until expended for the purposes of the grant since they are conditional promises to give.

Functional Allocation of Expenses - The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries and benefits, which are allocated based on estimates of time and effort, and depreciation, interest, repairs and maintenance which are allocated based on management's estimate of program benefit.

Advertising - The School follows the policy of charging the costs of advertising to expense as incurred. Advertising and promotional expense for the years ending June 30, 2019 and 2018 was \$15,244 and \$28,024, respectively.

Income Taxes - The School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as "other than a private foundation". Therefore, no provision for income taxes is reflected in the financial statements.

Subsequent Events - The School has evaluated events and transactions after June 30, 2019, and through October 31, 2019, which is the date the financial statements were available to be issued.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Reclassifications - Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. The reclassifications have no effect on the reported amounts of total net assets or changes in total net assets.

Note 2 - Property and Equipment

Property and equipment at June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 1,470,196	\$ 1,440,171
Building	30,709,080	12,967,615
Building improvements	1,863,128	1,759,484
Office equipment	370,148	186,452
Instructional equipment	1,554,762	1,247,715
Kitchen equipment	174,729	174,300
Library equipment	74,356	74,356
Maintenance equipment	6,535	4,240
Vehicles	62,700	59,950
	<u>36,285,634</u>	<u>17,914,283</u>
Less accumulated depreciation	<u>(6,908,899)</u>	<u>(5,710,678)</u>
	<u>\$ 29,376,735</u>	<u>\$ 12,203,605</u>

Note 3 - Revolving Lines of Credit

The School has a \$20,000 revolving line of credit with a bank. Advances on the credit line are payable on demand with interest at 14.9%. Any outstanding balance is secured by a general security interest in all assets of the School. There was no outstanding balance on this agreement at June 30, 2019 and 2018.

The School also has a \$300,000 line of credit with a bank. Advances on the credit line are payable on demand with interest at the Wall Street Journal prime rate plus 1%, 6.50% as of June 30, 2019. Any outstanding balance is secured by a general security interest in all assets of the School. There was no outstanding balance on this agreement at June 30, 2019 and 2018.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2019 and 2018

Note 4 - Investments Held in Trust

The following accounts are held by a trustee in compliance with the issuance of 2017 Series bonds:

	<u>2019</u>	<u>2018</u>
Project Fund - Series A	\$ 64,296	\$ 4,455,632
Project Fund - Series B	248,878	1,452,827
Debt Service Reserve Fund - Series A	1,971,778	1,983,866
Debt Service Reserve Fund - Series B	120,671	121,410
Capitalized Interest Fund	6,307	452,121
Other Bond funds	<u>1,563,423</u>	<u>461,089</u>
	<u>\$ 3,975,353</u>	<u>\$ 8,926,945</u>

FASB ASC 820, Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). All of the Organization's investments are classified as level 1 measurements at June 30, 2019 and 2018.

Note 5 - Liquidity and Availability of Resources

The School's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,458,455	\$ 5,068,232
Accounts receivable	281,795	420,647
Investments	<u>3,975,353</u>	<u>8,926,945</u>
Total financial assets available	<u>9,715,603</u>	<u>14,415,824</u>
Less: Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	109,462	38,094
Restricted cash reserve	75,000	-
Investments held in trust	<u>3,975,353</u>	<u>8,926,945</u>
Total amounts unavailable for general expenditures within one year	<u>4,159,815</u>	<u>8,965,039</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,555,788</u>	<u>\$ 5,450,785</u>

As part of the School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2019 and 2018

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2019 and 2018

Note 6 - Bonds Payable

Long-term bonds payable as of June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$300,000 to \$595,000 plus interest at 3.875%, final payment due August 2027	\$ 2,545,000	\$ 2,545,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$615,000 to \$995,000 plus interest at 5.000%, final payment due August 2037	7,745,000	7,745,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$1,005,000 to \$1,555,000 plus interest at 5.000%, final payment due August 2047	12,620,000	12,620,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$1,635,000 to \$1,985,000 plus interest at 5.000%, final payment due August 2052	9,035,000	9,035,000
Buffalo and Erie County Industrial Land Development Corporation taxable revenue bonds (Tapestry Charter School Project) Series 2017B, with principal payment ranging from \$205,000 to \$475,000 plus interest at 6.000%, final payment due August 2023	1,955,000	1,955,000
	33,900,000	33,900,000
Unamortized bond premium - bond issuance price above par value	941,839	992,275
Less: Unamortized bond issuance costs	(1,222,821)	(1,288,305)
Net bonds payable	\$33,619,018	\$33,603,970

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2019 and 2018

Note 6 - Bonds Payable, Continued

In August 2017, the School entered into a loan agreement with the Buffalo and Erie County Industrial Land Development Corporation (ILDC), principally to finance the cost of building a new school building for grades kindergarten through grade 5 and to re-finance existing bank debt. To finance the project, ILDC authorized the sale of tax-exempt revenue bonds in the aggregate principal amount of \$31,945,000 and taxable revenue bonds in the aggregate principal amount of \$1,955,000 under a trust indenture with a bank as trustee. The sale is secured by a mortgage and security agreement granting a first lien on and security interest in the facility and the other mortgaged property.

Debt issuance costs are amortized as interest expense over the remaining term of the bonds. Amortization of debt issuance costs for the years ended June 30, 2019 and 2018 was \$65,483 and \$60,026, respectively.

Aggregate maturities of net long-term bonds payable subsequent to June 30, 2019 are:

	Principal	Unamortized bond premium	Unamortized bond issuance costs
2020	\$ 400,000	\$ 50,436	\$ 65,483
2021	425,000	50,436	65,483
2022	450,000	50,436	65,483
2023	475,000	50,436	65,483
2024	505,000	50,436	65,483
Thereafter	31,645,000	689,659	895,406
	\$33,900,000	\$ 941,839	\$ 1,222,821

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the following purposes:

	2019	2018
Subject to expenditure for a specific purpose:		
Scholarships	\$ 13,219	\$ 12,281
Capital campaign	9,068	4,000
Other purposes	87,175	21,813
	\$ 109,462	\$ 38,094

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2019 and 2018

Note 7 - Net Assets with Donor Restrictions, Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors as follows:

	2019	2018
Purpose restrictions accomplished:		
Regular education	\$ 403,171	\$ 662,271
Educational and arts programs	30,399	3,279
	\$ 433,570	\$ 665,550

Note 8 - Public School District Revenue

The School receives public school district funds for regular student enrollment. The rate per student is mandated by the State of New York Education Department. The rate paid by the Buffalo school district was \$13,350 and \$13,005 per student for the years ended June 30, 2019 and 2018, respectively. The School had 880 and 821 enrolled students at June 30, 2019 and 2018, respectively, with the majority of students coming from the Buffalo school district. Total public school district revenue amounted to \$13,583,362 and \$12,160,039 for the years ended June 30, 2019 and 2018, respectively.

Note 9 - Retirement Plan

The School participates in the New York State Teachers' Retirement System (TRS), a cost sharing multiple employer, defined benefit pension plan. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability. TRS is administered by the New York State Teachers' Retirement Board and provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report can be found on the TRS website at www.nystrs.org/library/publications/annual-reports.htm.

TRS requires employee contributions of 3% of their annual salary for the first 10 years of service for those employees who joined the Plan between July 1976 and December 2009. Participants hired after January 1, 2010 are required to contribute 3.5% of their annual salary throughout their active membership in TRS. No employee contribution is required for those hired prior to July 1976. Pursuant to Article 11 of the Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate for the years ended June 30, 2019 and 2018 is 10.62% and 9.80% of the annual covered payroll, respectively. The School's required contribution was \$701,794 and \$458,761 for the years ended June 30, 2019 and 2018, respectively.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2019 and 2018

Note 10 - Concentration of Credit Risk

The School maintains its cash balances at financial institutions within the Buffalo, New York area, which at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution. As of June 30, 2019, the maximum loss that would have resulted from that risk totaled \$4,920,894. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Note 11 - New Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method).

The School has adopted the provisions of ASU 2016-14 for the years ended June 30, 2019 and 2018.

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**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 Directors
Tapestry 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 Tapestry Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

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

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

Tette, Ingersoll & Co., CPAs, PC

Tonawanda, New York

October 31, 2019