

ROSALYN YALOW CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rosalyn Yalow Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Rosalyn Yalow Charter School, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from June 24, 2014 (date of inception) to June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rosalyn Yalow Charter School as of June 30, 2016, and the changes in its net assets and its cash flows for the period from June 24, 2014 (date of inception) to June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 on our consideration of Rosalyn Yalow Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rosalyn Yalow Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 18, 2016

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash	\$	140,501
Grants and other receivables		687,961
Prepaid expenses and other current assets		51,215
		<hr/>
		879,677

TOTAL CURRENT ASSETS

PROPERTY AND EQUIPMENT, net

254,279

OTHER ASSETS

Deposits		23,070
Cash in escrow		25,000
		<hr/>

TOTAL ASSETS \$ 1,182,026

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	52,003
Accrued payroll and benefits		50,453
Deferred revenue		12,142
		<hr/>

TOTAL CURRENT LIABILITIES 114,598

DEFERRED LEASE LIABILITY

166,667

NET ASSETS

Unrestricted		896,761
Temporarily restricted		4,000
		<hr/>

TOTAL NET ASSETS 900,761

TOTAL LIABILITIES AND NET ASSETS \$ 1,182,026

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

ROSALYN YALOW CHARTER SCHOOL ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM JUNE 24, 2014 (DATE OF INCEPTION) TO JUNE 30, 2016

	Unrestricted	Temporarily restricted	Total
Operating revenue and support:			
State and local per pupil operating revenue	\$ 3,711,512	\$ -	\$ 3,711,512
Government grants	557,932	-	557,932
Private grants	343,238	-	343,238
Fundraising	6,513	4,000	10,513
Contributed legal services	358,591	-	358,591
Other income	1,709	-	1,709
TOTAL OPERATING REVENUE AND SUPPORT	4,979,495	4,000	4,983,495
Expenses:			
Program:			
Regular education	2,578,454	-	2,578,454
Special education	462,286	-	462,286
Management and general	1,041,994	-	1,041,994
TOTAL EXPENSES	4,082,734	-	4,082,734
CHANGE IN NET ASSETS	896,761	4,000	900,761
Net assets at beginning of period	-	-	-
NET ASSETS AT END OF PERIOD	\$ 896,761	\$ 4,000	\$ 900,761

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM JUNE 24, 2014 (DATE OF INCEPTION) TO JUNE 30, 2016

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Fundraising	Management and General	Sub-total	
Personnel services costs:								
Administrative staff personnel	7	\$ 348,582	\$ 42,491	\$ 391,073	\$ -	\$ 221,788	\$ 221,788	\$ 612,861
Instructional personnel	21.5	923,781	191,313	1,115,094	-	-	-	1,115,094
Non-instructional personnel	3.5	70,565	8,821	79,386	-	8,821	8,821	88,207
Total salaries and wages	32	1,342,928	242,625	1,585,553	-	230,609	230,609	1,816,162
Fringe benefits and payroll taxes		223,156	40,317	263,473	-	38,320	38,320	301,793
Legal services		-	-	-	-	364,791	364,791	364,791
Accounting/Audit services		-	-	-	-	240,024	240,024	240,024
Other Purchased/Professional/Consulting Services		71,001	21,388	92,389	-	6,063	6,063	98,452
Building and Land Rent / Lease		533,622	96,408	630,030	-	91,634	91,634	721,664
Repairs and maintenance		60,231	10,882	71,113	-	10,343	10,343	81,456
Insurance		24,537	4,433	28,970	-	4,214	4,214	33,184
Utilities		31,851	5,755	37,606	-	5,470	5,470	43,076
Supplies/Materials		136,553	16,485	153,038	-	-	-	153,038
Equipment/Furnishings		4,830	873	5,703	-	829	829	6,532
Staff development		50,871	6,459	57,330	-	3,911	3,911	61,241
Marketing/Recruitment		16,909	2,752	19,661	-	2,035	2,035	21,696
Technology		26,126	4,720	30,846	-	4,486	4,486	35,332
Food service		3,940	476	4,416	-	-	-	4,416
Student services		11,067	1,336	12,403	-	-	-	12,403
Office expense		7,313	1,321	8,634	-	32,475	32,475	41,109
Depreciation and amortization		33,519	6,056	39,575	-	5,756	5,756	45,331
Other		-	-	-	-	1,034	1,034	1,034
		<u>\$ 2,578,454</u>	<u>\$ 462,286</u>	<u>\$ 3,040,740</u>	<u>\$ -</u>	<u>\$ 1,041,994</u>	<u>\$ 1,041,994</u>	<u>\$ 4,082,734</u>

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF CASH FLOWS

PERIOD FROM JUNE 24, 2014 (DATE OF INCEPTION) TO JUNE 30, 2016

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 900,761
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	45,331
Changes in certain assets and liabilities affecting operations:	
Grants and other receivables	(687,961)
Prepaid expenses and other current assets	(51,215)
Deposits	(23,070)
Cash in escrow	(25,000)
Accounts payable and accrued expenses	52,003
Accrued payroll and benefits	50,453
Deferred revenue	12,142
Deferred lease liability	<u>166,667</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	440,111

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	<u>(299,610)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(299,610)</u>
NET INCREASE IN CASH	140,501
Cash at beginning of period	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 140,501</u>

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

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

The Charter School

Rosalyn Yalow Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School engages its students in a process of inquiry. The students are equipped with the necessary skills to lead fulfilling personal and professional lives, including a developed sense of self, the ability to think in innovative and flexible ways, and the inspiration to make a positive impact on their community. On June 24, 2014 the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

Financial Statement presentation

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

These classes of net assets are defined as follows:

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

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had \$4,000 in temporarily restricted net assets at June 30, 2016.

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

Revenue and support recognition

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

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

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

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

Cont'd

Contributions

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

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

Cash

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

Cash in escrow

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

Grants and other receivables

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

Property and equipment

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

Contributed services

The Charter School received transportation services, a nurse, speech therapist, occupational therapist, physical therapist, food supplies and services and lease assistance from the local district. These goods and services are not valued in the financial statements.

The Charter School received contributed legal services which were valued at \$358,591 for the period ended June 30, 2016. These amounts are included in contributed legal services in the accompanying statement of activities and changes in net assets.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

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

Cont'd

Tax exempt status

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

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$21,700 for the period from June 24, 2014 (date of inception) to June 30, 2016.

Deferred revenue

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

Deferred lease liability

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

Use of estimates in the preparation of financial statements

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 18, 2016, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure, other than as disclosed in Note E, were noted.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u> <u>2016</u>
Furniture and fixtures	\$ 113,517
Leasehold improvements	65,029
Office equipment	31,801
Computers and equipment	<u>89,263</u>
	299,610
Less accumulated depreciation and amortization	<u>45,331</u>
	<u>\$ 254,279</u>

NOTE C: RENT EXPENSE

The Charter School signed a lease for its facility from a third party commencing July 1, 2015 through June 2018. Total rental expense was approximately \$722,000 for the period from June 24, 2014 (date of inception) to June 30, 2016. Future expected minimum payments for this lease are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 700,000
2018	<u>900,000</u>
Total	<u>\$ 1,600,000</u>

NOTE D: OPERATING LEASE

The Charter School signed an agreement to lease office equipment in August 2015 and then amended the agreement in June 2016. The term of the amended agreement is through May 2019. Future expected minimum payments for this lease are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 13,100
2018	13,100
2019	<u>12,000</u>
Total	<u>\$ 38,200</u>

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

NOTE E: CONTINGENCIES

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

In August 2016, a complaint was served on the School. The Plaintiffs are claiming negligence, recklessness, and carelessness and gross negligence. The outcome of the suit is currently undeterminable; therefore, no amount has been accrued in the accompanying financial statements.

The claim will be vigorously defended and management believes there will be no material adverse effect on the School's financial position as a result of the outcome of this outstanding legal matter.

NOTE F: CONCENTRATIONS

At June 30, 2016, approximately 55% of grants and other receivables are due from various New York State agencies relating to certain grants. At June 30, 2016, approximately 44% of grants and other receivables are due from the federal government relating to certain grants.

During the period from June 24, 2014 (date of inception) to June 30, 2016, approximately 74% of total operating revenue and support came from per-pupil funding provided by the New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

ROSALYN YALOW CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Rosalyn Yalow Charter School

We have audited the financial statements of Rosalyn Yalow Charter School as of June 30, 2016 and for the period from June 24, 2014 (date of inception) to June 30, 2016, and have issued our report thereon dated October 18, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the period from June 24, 2014 (date of inception) to June 30, 2016.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 18, 2016

ROSALYN YALOW CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2016 AND THE PERIOD FROM
JUNE 24, 2014 (DATE OF INCEPTION) TO JUNE 30, 2015

	<u>Year ended June 30, 2016</u>	<u>Period from June 24, 2014 (date of inception) to June 30, 2015</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 3,711,512	\$ -	\$ 3,711,512
Government grants	371,491	186,441	557,932
Private grants	343,238	-	343,238
Fundraising	10,513	-	10,513
Contributed services	358,591	-	358,591
Other income	-	1,709	1,709
TOTAL OPERATING REVENUE AND SUPPORT	4,795,345	188,150	4,983,495
Personnel services costs:			
Administrative staff personnel	513,088	99,773	612,861
Instructional personnel	1,115,094	-	1,115,094
Non-instructional personnel	88,207	-	88,207
Total salaries and wages	1,716,389	99,773	1,816,162
Fringe benefits and payroll taxes	286,807	14,986	301,793
Legal services	363,041	1,750	364,791
Accounting/Audit services	205,014	35,010	240,024
Other Purchased/Professional/Consulting Services	97,594	858	98,452
Building and Land Rent / Lease	716,664	5,000	721,664
Repairs and maintenance	80,264	1,192	81,456
Insurance	29,893	3,291	33,184
Utilities	43,076	-	43,076
Supplies/Materials	152,655	383	153,038
Equipment/Furnishings	6,532	-	6,532
Staff development	58,241	3,000	61,241
Marketing/Recruitment	10,798	10,898	21,696
Technology	35,302	30	35,332
Food service	4,416	-	4,416
Student services	12,403	-	12,403
Office expense	40,330	779	41,109
Depreciation	45,331	-	45,331
Other	1,018	16	1,034
TOTAL EXPENSES	3,905,768	176,966	4,082,734
CHANGE IN NET ASSETS	\$ 889,577	\$ 11,184	\$ 900,761

ROSALYN YALOW CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Trustees
Rosalyn Yalow Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rosalyn Yalow Charter School, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the period from June 24, 2014 (date of inception) to June 30, 2016, 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 Rosalyn Yalow Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rosalyn Yalow Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Rosalyn Yalow Charter School's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Rosalyn Yalow Charter School in a separate letter dated October 18, 2016.

Purpose of This Report

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

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 18, 2016