

AMANI PUBLIC CHARTER SCHOOL

MOUNT VERNON, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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
Amani Public Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Amani Public Charter School, 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 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 Amani Public 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 Summarized Comparative Information

We have previously audited Amani Public Charter School's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 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 has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2019 on our consideration of Amani Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Amani Public Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 26, 2019

AMANI PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

<u>ASSETS</u>	June 30,	
	2019	2018
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,006,920	\$ 2,142,351
Certificate of deposit	773,864	757,025
Grants and other receivables	135,767	252,161
Prepaid expenses and other current assets	110,723	23,923
TOTAL CURRENT ASSETS	3,027,274	3,175,460
<u>OTHER ASSETS</u>		
Cash in escrow	75,000	75,000
Property and equipment, net	500,454	529,664
	575,454	604,664
TOTAL ASSETS	\$ 3,602,728	\$ 3,780,124
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 68,018	\$ 103,313
Accrued expenses	92,844	55,358
Accrued payroll and benefits	275,066	292,201
Deferred revenue	301,504	295,331
Deferred lease incentive	-	168
TOTAL CURRENT LIABILITIES	737,432	746,371
<u>LONG-TERM LIABILITIES</u>		
Deferred lease liability	838,789	744,981
TOTAL LIABILITIES	1,576,221	1,491,352
<u>NET ASSETS</u>		
Without donor restrictions	1,998,757	2,258,572
With donor restrictions	27,750	30,200
TOTAL NET ASSETS	2,026,507	2,288,772
TOTAL LIABILITIES AND NET ASSETS	\$ 3,602,728	\$ 3,780,124

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

AMANI PUBLIC CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	Year Ended June 30,			2018
	2019		Total	
	Without Donor Restrictions	With Donor Restrictions		
				Total
Operating revenue and support:				
State and local per pupil operating revenue	\$ 6,602,178	\$ -	\$ 6,602,178	\$ 6,555,340
Governmental grants	437,316	-	437,316	483,135
Contributions	81,865	-	81,865	4,329
Contributed legal and educational services	55,047	-	55,047	102,724
Special events	38,375	2,000	40,375	39,036
Net assets released from restriction	4,450	(4,450)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	7,219,231	(2,450)	7,216,781	7,184,564
Expenses:				
Program:				
Regular education	5,429,455	-	5,429,455	4,695,435
Special education	1,294,995	-	1,294,995	1,188,863
Management and general	825,034	-	825,034	1,148,772
Fundraising and special events	12,686	-	12,686	6,290
TOTAL EXPENSES	7,562,170	-	7,562,170	7,039,360
Other income:				
Insurance proceeds	83,124	-	83,124	-
TOTAL OTHER INCOME	83,124	-	83,124	-
CHANGE IN NET ASSETS	(259,815)	(2,450)	(262,265)	145,204
Net assets at beginning of year	2,258,572	30,200	2,288,772	2,143,568
NET ASSETS AT END OF YEAR	\$ 1,998,757	\$ 27,750	\$ 2,026,507	\$ 2,288,772

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

AMANI PUBLIC CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

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

	Year ended June 30, 2019							Year Ended June 30, 2018 Total	
	No. of positions	Program Services			Supporting Services				
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total		Total
Personnel Service Costs:									
Administrative Staff	8	\$ 416,957	\$ 96,851	\$ 513,808	\$ 381,803	\$ -	\$ 381,803	\$ 895,611	\$ 817,128
Instructional Personnel	35	2,014,305	586,450	2,600,755	-	-	-	2,600,755	2,389,079
Non-instructional Personnel	12	378,058	24,470	402,528	1,561	-	1,561	404,089	385,902
Total Salaries and Wages	55	2,809,320	707,771	3,517,091	383,364	-	383,364	3,900,455	3,592,109
Fringe benefits & payroll taxes		581,208	146,428	727,636	79,313	-	79,313	806,949	731,203
Retirement		27,507	6,930	34,437	3,753	-	3,753	38,190	39,384
Legal service		-	-	-	37,076	-	37,076	37,076	50,186
Accounting / Audit services		-	-	-	99,739	-	99,739	99,739	104,420
Other Purchased / Professional / Consulting services		378,367	116,025	494,392	54,334	-	54,334	548,726	604,519
Building and land rent / Lease		757,996	190,967	948,963	103,438	-	103,438	1,052,401	1,052,431
Repairs and maintenance		74,260	18,709	92,969	10,134	-	10,134	103,103	110,667
Insurance		22,597	5,693	28,290	3,084	-	3,084	31,374	28,521
Utilities		76,353	19,236	95,589	10,420	-	10,420	106,009	93,504
Supplies / Materials		161,209	9,035	170,244	-	12,543	12,543	182,787	153,338
Equipment / Furnishings		15,380	3,875	19,255	2,099	-	2,099	21,354	17,548
Staff development		25,704	1,440	27,144	6,449	-	6,449	33,593	45,117
Marketing / Recruitment		17,500	1,763	19,263	546	-	546	19,809	14,933
Technology		26,563	4,591	31,154	2,161	-	2,161	33,315	15,935
Food service		143,187	8,024	151,211	-	-	-	151,211	107,421
Student services		123,400	6,916	130,316	-	-	-	130,316	59,760
Office expense		115,043	28,984	144,027	15,699	-	15,699	159,726	115,895
Depreciation and amortization		72,190	18,187	90,377	9,852	-	9,852	100,229	91,826
Other		1,671	421	2,092	3,573	143	3,716	5,808	10,643
		<u>\$ 5,429,455</u>	<u>\$ 1,294,995</u>	<u>\$ 6,724,450</u>	<u>\$ 825,034</u>	<u>\$ 12,686</u>	<u>\$ 837,720</u>	<u>\$ 7,562,170</u>	<u>\$ 7,039,360</u>

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

AMANI PUBLIC CHARTER SCHOOL

STATEMENT OF CASH FLOWS

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

	<u>Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (262,265)	\$ 145,204
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation and amortization	100,229	91,826
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	116,394	(53,419)
Prepaid expenses and other current assets	(86,800)	61,807
Accounts payable	(35,295)	52,698
Accrued expenses	37,486	(19,246)
Accrued payroll and benefits	(17,135)	(5,626)
Deferred revenue	6,173	882
Deferred lease incentive	(168)	(1,341)
Deferred lease liability	<u>93,808</u>	<u>121,755</u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(47,573)	394,540
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchase of certificate of deposit	(16,839)	(757,025)
Purchases of property and equipment	<u>(71,019)</u>	<u>(60,197)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(87,858)</u>	<u>(817,222)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(135,431)	(422,682)
Cash and cash equivalents at beginning of year	<u>2,142,351</u>	<u>2,565,033</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,006,920</u>	<u>\$ 2,142,351</u>

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

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Amani Public Charter School (“the Charter School”) is an educational corporation that operates as a charter school in Mount Vernon, New York. On December 14, 2010, 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. The charter was renewed in April 2016 for a term of three years. The Charter was renewed for the second time in April 2019 for a term of three years. The Charter School was established to provide its students in grades 5-8 with the academic skills necessary to succeed in competitive high school programs, college and career of their choice.

Basis of accounting

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

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School 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.

Net assets, revenues, gains, and losses 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 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.

Net Assets With Donor Restrictions

Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by 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.

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.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

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

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. A contribution that is received and expended in the same year for a specified purpose is classified as revenue without donor restrictions. Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, 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.

Cash and cash equivalents

Cash and cash equivalents are maintained at financial institutions located in Mount Vernon, New York and are insured by the FDIC up to \$250,000 at each institution. The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of money market accounts. 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 and cash equivalents.

Certificate of deposit

The Charter School maintains its certificate of deposit with a financial institution. The balance is insured at the financial institution up to \$250,000 by the FDIC. At times the Charter School'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. The CD matured in July 2019 and was renewed for an additional year.

Cash in escrow

The Charter School maintained cash in an escrow account in accordance with the terms of its Charter agreement.

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 and 2018.

Property and equipment

Property and equipment are recorded at cost. Depreciation is 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 fifteen years.

Deferred lease liability

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

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

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

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.

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. The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so.

The Charter School 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 Charter School believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Contributed services

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

The Charter School received contributed educational services which were valued at approximately \$53,000, which are included in the accompanying statements of activities and changes in net assets for both of the years ended June 30, 2019 and 2018. The Charter School received contributed legal services valued at approximately \$2,500 and \$50,000, which are included in the accompanying statements of activities and changes in net assets for the years ended June 30, 2019 and 2018, respectively.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$20,000 and \$15,000 for the years ended June 30, 2019 and 2018, respectively.

Accounting/Audit services

Accounting/Audit services is made up of expenses for financial management services as well as professional service expenses related to the annual financial statement audit.

Other purchased/professional/consulting services

Other purchased/professional/consulting services primarily consists of professional service expenses related to technology, security, regular and special education consultants, and payroll services.

Deferred lease incentive

The Charter School leases its office equipment. The lease escalated the original lease payments and caused a buy-out from the prior lease. In accordance with GAAP, the Charter School recognizes the related buy-out credit on a straight-line basis and records the difference between the recognized lease credit and the amounts payable under the lease as a deferred lease incentive.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

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

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.

Comparatives for 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 Charter School's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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.
- 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.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

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

- 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 Charter School 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 Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

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 balance sheet. 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. Recently an exposure draft was issued that would delay the effective date by one year. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 26, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

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

Due to a strong focus on improving educational quality, the Charter School's Board of Trustees has approved an annual budget for the fiscal year ending June 30, 2020 with a deficit of approximately \$380,000. This deficit is anticipated to be funded through existing financial assets. In addition, the Charter School has a \$250,000 line of credit available for use if necessary.

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	\$ 2,006,920
Certificate of deposit	773,864
Grants and other receivables	<u>135,767</u>
Total financial assets available within one year	\$ 2,916,551
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	<u>(27,750)</u>
Total amounts available for general expenditures within one year	<u>\$ 2,888,801</u>

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

NOTE C: SCHOOL FACILITY

Beginning September 1, 2014, the Charter School leases facilities from T & Z Partners, Inc. through August 30, 2029 with the option to renew for an additional 15 years. Current monthly rental payments are \$81,667. Other expenses in excess of the first year's base costs will be paid for by the Charter School. Starting April 1, 2016, base rent will increase every year by the Per Pupil Funding rate increase up to 3%, as indicated by the New York State Education Department. In years where the Per Pupil Funding is below 3% the remaining amount will be deferred to a period where the rate is above 3% and be included in base rent for that lease year. Total rent expense for both of the years ended June 30, 2019 and 2018 was approximately \$1,052,000. Total approximate square footage usage for all facilities as of June 30, 2019 and 2018 was 45,000.

The future minimum payments on these agreements, assuming a 3% increase per year, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 987,353
2021	1,016,974
2022	1,047,483
2023	1,078,907
2024	1,111,275
Thereafter	<u>6,296,412</u>
	<u>\$ 11,538,404</u>

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 278,675	\$ 269,825
Office equipment	283,787	266,568
Leasehold improvements	<u>589,892</u>	<u>544,942</u>
	1,152,354	1,081,335
Less accumulated depreciation and amortization	<u>651,900</u>	<u>551,671</u>
	<u>\$ 500,454</u>	<u>\$ 529,664</u>

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

NOTE E: LINE OF CREDIT

During April 2013 the Charter School obtained a \$150,000 Line of Credit. In February 2019, the Line of Credit was modified to increase the amount available to \$250,000 and extend the maturity date to February 1, 2020. The Line of Credit provides for interest at .5% over the Prime Rate (effective rate of 6.0% as of June 30, 2019). As of June 30, 2019 and 2018, there were no outstanding balances. The line is secured by all assets of the Charter School.

NOTE F: COMMITMENTS

During September 2013, the Charter School canceled its lease of office equipment under a lease agreement that would have expired November 2015. The Charter School entered into new leases for office equipment under a non-cancelable lease agreement that expired in August 2018. Associated with this new lease the Charter School received a buy-out for the remaining payments for its prior lease totaling \$6,705. The Charter School recorded the total buy-out amount as a deferred lease incentive and recognized approximately \$100 per month for the duration of the new lease as other income. The Charter School recognized approximately \$200 and \$1,300 for the years ended June 30, 2019 and 2018. The Charter School leases other office equipment under lease agreements that expire at various dates through June 2024. The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 118,000
2021	118,000
2022	77,000
2023	62,000
2024	51,000
	<u>\$ 426,000</u>

The Charter School's landlord is currently making leasehold improvements to the Charter School's facility. In accordance with the terms of the lease, once construction is complete, the School will be required to reimburse the landlord for the leasehold improvements. The lease agreement calls for reimbursement of up to \$3,000,000 plus any additional changes approved by the Charter School. The Charter School is unable to estimate the amount due. Upon completion, the School expects to repay the landlord in monthly payments over 15 years plus interest at 7%. The amount and terms of the note have not yet been finalized.

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. The Plan allows for a discretionary employer match contribution. The Charter School made contributions of approximately \$38,000 and \$35,000 for the years ended June 30, 2019 and 2018, respectively.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

NOTE H: CONTINGENCY

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

NOTE I: CONCENTRATIONS

At June 30, 2019 approximately 17% of grants and other receivables were due from the New York State Department of Education, relating to certain grants. At June 30, 2018 approximately 49% of grants and receivables were due from the New York State Department of Education.

During both the years ended June 30, 2019 and 2018, 91% 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 Charter School's students reside.

NOTE J: 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. Expenses (including salaries, benefits, payroll taxes, purchased services, rent, repairs, insurance, utilities, supplies, and depreciation) which are attributable to more than one program or supporting function are allocated on the basis of estimates of time, effort, and usage.

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	2019	2018
Undesignated	\$ 1,498,303	\$ 1,728,908
Invested in property and equipment	500,454	529,664
	<u>\$ 1,998,757</u>	<u>\$ 2,258,572</u>

Net assets with donor restrictions are as follows:

	June 30,	
	2019	2018
Subject to expenditure for specified purpose:		
Latin scholarship fund	\$ 5,400	\$ 4,600
21st Century library fund	22,350	25,600
	<u>\$ 27,750</u>	<u>\$ 30,200</u>

AMANI PUBLIC CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



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

Board of Trustees
Amani Public Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Amani Public Charter School, 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 26, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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 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 Amani Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Amani Public Charter School in a separate letter dated October 26, 2019.

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 26, 2019