



*FINANCIAL STATEMENTS*

*JUNE 30, 2020 AND 2019*

**HENRY JOHNSON CHARTER SCHOOL**

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**JUNE 30, 2020 AND 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Henry Johnson Charter School  
Albany, New York

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

We have audited the accompanying financial statements of Henry Johnson Charter School (a nonprofit organization) (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Henry Johnson Charter School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, on our consideration of the 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 the School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
October 19, 2020

**HENRY JOHNSON CHARTER SCHOOL***STATEMENTS OF FINANCIAL POSITION**JUNE 30, 2020 AND 2019*

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**ASSETS**

|                                 | <b><u>2020</u></b>          | <b><u>2019</u></b>         |
|---------------------------------|-----------------------------|----------------------------|
| Current Assets                  |                             |                            |
| Cash                            | \$ 2,652,348                | \$ 2,639,353               |
| Grants and Contracts Receivable | 498,816                     | 180,049                    |
| Prepaid Expenses                | <u>11,336</u>               | <u>10,737</u>              |
| Total Current Assets            | <u>3,162,500</u>            | <u>2,830,139</u>           |
| Other Assets                    |                             |                            |
| Property and Equipment - Net    | 6,598,995                   | 6,776,471                  |
| Cash - Board Designated         | <u>275,680</u>              | <u>275,352</u>             |
| Total Other Assets              | <u>6,874,675</u>            | <u>7,051,823</u>           |
| Total Assets                    | <u><u>\$ 10,037,175</u></u> | <u><u>\$ 9,881,962</u></u> |

**LIABILITIES AND NET ASSETS**

|  |                             |                            |
|--|-----------------------------|----------------------------|
| Current Liabilities                    |                             |                            |
| Current Portion of Long-Term Debt      | \$ 112,073                  | \$ 105,211                 |
| Accounts Payable and Accrued Expenses  | 63,964                      | 71,282                     |
| Accrued Payroll and Benefits           | 316,699                     | 319,873                    |
| Compensated Absences                   | <u>53,685</u>               | <u>44,029</u>              |
| Total Current Liabilities              | <u>546,421</u>              | <u>540,395</u>             |
| Long-Term Liabilities                  |                             |                            |
| Long-Term Debt, Net of Current Portion | <u>5,309,528</u>            | <u>5,418,333</u>           |
| Total Liabilities                      | <u>5,855,949</u>            | <u>5,958,728</u>           |
| Net Assets                             |                             |                            |
| Without Donor Restrictions             |                             |                            |
| Undesignated                           | 3,905,546                   | 3,647,882                  |
| Board Designated                       | <u>275,680</u>              | <u>275,352</u>             |
| Total Net Assets                       | <u>4,181,226</u>            | <u>3,923,234</u>           |
| Total Liabilities and Net Assets       | <u><u>\$ 10,037,175</u></u> | <u><u>\$ 9,881,962</u></u> |

**HENRY JOHNSON CHARTER SCHOOL**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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|   | <u><b>2020</b></u>         | <u><b>2019</b></u>         |
|---|----------------------------|----------------------------|
| Revenue                                 |                            |                            |
| Public School District                  |                            |                            |
| Resident Student Enrollment             | \$ 5,507,898               | \$ 4,957,971               |
| Students with Disabilities              | 19,345                     | 24,196                     |
| Grants and Contracts                    |                            |                            |
| Federal Grants                          | 165,562                    | 166,113                    |
| Food Service/Child Nutrition Program    | 217,329                    | 314,035                    |
| State and Local Grants                  | <u>-</u>                   | <u>90,486</u>              |
| Total Revenue                           | <u>5,910,134</u>           | <u>5,552,801</u>           |
| Expenses                                |                            |                            |
| Program Services                        |                            |                            |
| Regular Education                       | 4,231,034                  | 4,612,517                  |
| Special Education                       | 176,954                    | 253,957                    |
| Other Programs                          | <u>467,551</u>             | <u>541,537</u>             |
| Total Program Services                  | 4,875,539                  | 5,408,011                  |
| Management and General                  | <u>808,107</u>             | <u>607,513</u>             |
| Total Operating Expenses                | <u>5,683,646</u>           | <u>6,015,524</u>           |
| Income (Deficit) from School Operations | <u>226,488</u>             | <u>(462,723)</u>           |
| Other Revenue                           |                            |                            |
| E-Rate Income                           | 15,971                     | 16,117                     |
| Interest Income                         | 328                        | 326                        |
| Miscellaneous Income                    | <u>15,205</u>              | <u>18,922</u>              |
| Total Other Revenue                     | <u>31,504</u>              | <u>35,365</u>              |
| Change in Net Assets                    | 257,992                    | (427,358)                  |
| Net Assets, Beginning of Year           | <u>3,923,234</u>           | <u>4,350,592</u>           |
| Net Assets, End of Year                 | <u><u>\$ 4,181,226</u></u> | <u><u>\$ 3,923,234</u></u> |

**HENRY JOHNSON CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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|   | <u><b>2020</b></u>         | <u><b>2019</b></u>         |
|---|----------------------------|----------------------------|
| Cash Flows Provided by (Used in) Operating Activities   |                            |                            |
| Change in Net Assets  | \$ 257,992                 | \$ (427,358)               |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Provided by Operating Activities |                            |                            |
| Amortization of Debt Issuance Costs   | 3,821                      | 3,821                      |
| Depreciation  | 228,138                    | 235,246                    |
| Bad Debt Expense  | 43,784                     | 43,638                     |
| Changes in Operating Assets and Liabilities   |                            |                            |
| (Increase) Decrease in Assets:  |                            |                            |
| Grants and Contracts Receivable   | (362,551)                  | 154,764                    |
| Prepaid Expenses  | (599)                      | 54,363                     |
| Increase (Decrease) in Liabilities:   |                            |                            |
| Accounts Payable and Accrued Expenses   | (7,318)                    | 16,731                     |
| Accrued Payroll and Benefits  | (3,174)                    | 12,075                     |
| Compensated Absences  | <u>9,656</u>               | <u>(233)</u>               |
| Net Cash Provided by Operating Activities   | <u>169,749</u>             | <u>93,047</u>              |
| Cash Flows Used In Financing Activities   |                            |                            |
| Repayments of Long-Term Debt  | <u>(105,764)</u>           | <u>(91,473)</u>            |
| Cash Flows Used In Investing Activities   |                            |                            |
| Purchase of Property and Equipment  | <u>(50,662)</u>            | <u>(20,532)</u>            |
| Net Increase (Decrease) in Cash   | 13,323                     | (18,958)                   |
| Cash, Beginning of Year   | <u>2,914,705</u>           | <u>2,933,663</u>           |
| Cash, End of Year   | <u><u>\$ 2,928,028</u></u> | <u><u>\$ 2,914,705</u></u> |
| Other Disclosures -   |                            |                            |
| Cash Paid for Interest  | <u><u>\$ 334,421</u></u>   | <u><u>\$ 340,678</u></u>   |

**HENRY JOHNSON CHARTER SCHOOL***STATEMENT OF FUNCTIONAL EXPENSES**FOR THE YEAR ENDED JUNE 30, 2020*

|   | <u>Program Services</u>  |                          |                        |                     | <u>Supporting Services</u>    |                     |
|---|--------------------------|--------------------------|------------------------|---------------------|-------------------------------|---------------------|
|   | <u>Regular Education</u> | <u>Special Education</u> | <u>Other Education</u> | <u>Total</u>        | <u>Management and General</u> | <u>Total</u>        |
| Administrative Personnel                              | \$ 124,811               | \$ -                     | \$ -                   | \$ 124,811          | \$ 499,245                    | \$ 624,056          |
| Instructional Personnel                               | 2,437,806                | 97,933                   | -                      | 2,535,739           | -                             | 2,535,739           |
| Non-Instructional Personnel                           | -                        | -                        | 146,220                | 146,220             | -                             | 146,220             |
| Total Salaries  | 2,562,617                | 97,933                   | 146,220                | 2,806,770           | 499,245                       | 3,306,015           |
| Fringe Benefits and Payroll Taxes                     | 626,896                  | 23,957                   | -                      | 650,853             | 122,131                       | 772,984             |
| Retirement  | 38,894                   | 1,486                    | -                      | 40,380              | 7,577                         | 47,957              |
| Legal Services  | 1,339                    | 51                       | -                      | 1,390               | 261                           | 1,651               |
| Accounting and Audit Services                         | 14,042                   | 537                      | -                      | 14,579              | 2,736                         | 17,315              |
| Other Purchased, Professional and Consulting Services | 72,046                   | 18,013                   | -                      | 90,059              | 16,899                        | 106,958             |
| Repairs and Maintenance                               | 160,618                  | 6,138                    | 10,559                 | 177,315             | 20,732                        | 198,047             |
| Insurance   | 45,466                   | 1,738                    | 2,989                  | 50,193              | 5,869                         | 56,062              |
| Utilities   | 31,310                   | 1,197                    | 2,058                  | 34,565              | 4,042                         | 38,607              |
| Supplies and Materials                                | 30,507                   | 1,166                    | -                      | 31,673              | 17,041                        | 48,714              |
| Staff Development                                     | 9,829                    | 376                      | -                      | 10,205              | -                             | 10,205              |
| Marketing and Recruitment                             | 29,144                   | 1,114                    | -                      | 30,258              | 5,678                         | 35,936              |
| Technology  | 21,403                   | 818                      | -                      | 22,221              | 4,170                         | 26,391              |
| Food Service  | -                        | -                        | 104,894                | 104,894             | -                             | 104,894             |
| Student Services                                      | 50,863                   | 1,944                    | 198,122                | 250,929             | -                             | 250,929             |
| Office Expense  | 41,213                   | 1,575                    | 2,709                  | 45,497              | 5,320                         | 50,817              |
| Depreciation  | 185,021                  | 7,071                    | -                      | 192,092             | 36,046                        | 228,138             |
| Interest Expense                                      | 274,317                  | 10,483                   | -                      | 284,800             | 53,442                        | 338,242             |
| Miscellaneous   | 35,509                   | 1,357                    | -                      | 36,866              | 6,918                         | 43,784              |
| Total Expenses  | <u>\$ 4,231,034</u>      | <u>\$ 176,954</u>        | <u>\$ 467,551</u>      | <u>\$ 4,875,539</u> | <u>\$ 808,107</u>             | <u>\$ 5,683,646</u> |



**HENRY JOHNSON CHARTER SCHOOL***STATEMENT OF FUNCTIONAL EXPENSES**FOR THE YEAR ENDED JUNE 30, 2019*

|   | <b>Program Services</b>         |                                 |                               |                     | <b>Supporting Services</b>           |                     |
|---|---------------------------------|---------------------------------|-------------------------------|---------------------|--------------------------------------|---------------------|
|   | <b><u>Regular Education</u></b> | <b><u>Special Education</u></b> | <b><u>Other Education</u></b> | <b><u>Total</u></b> | <b><u>Management and General</u></b> | <b><u>Total</u></b> |
| Administrative Personnel                              | \$ 80,623                       | \$ -                            | \$ -                          | \$ 80,623           | \$ 322,493                           | \$ 403,116          |
| Instructional Personnel                               | 2,580,047                       | 119,420                         | -                             | 2,699,467           | -                                    | 2,699,467           |
| Non-Instructional Personnel                           | -                               | -                               | 153,955                       | 153,955             | 58,333                               | 212,288             |
| Total Salaries  | <u>2,660,670</u>                | <u>119,420</u>                  | <u>153,955</u>                | <u>2,934,045</u>    | <u>380,826</u>                       | <u>3,314,871</u>    |
| Fringe Benefits and Payroll Taxes                     | 695,217                         | 31,204                          | -                             | 726,421             | 84,265                               | 810,686             |
| Retirement  | 38,927                          | 1,748                           | -                             | 40,675              | 4,718                                | 45,393              |
| Legal Services  | 9,600                           | 431                             | -                             | 10,031              | 1,164                                | 11,195              |
| Accounting and Audit Services                         | 20,281                          | 910                             | -                             | 21,191              | 2,458                                | 23,649              |
| Other Purchased, Professional and Consulting Services | 172,129                         | 54,656                          | -                             | 226,785             | 26,307                               | 253,092             |
| Repairs and Maintenance                               | 192,210                         | 8,627                           | 13,617                        | 214,454             | 9,681                                | 224,135             |
| Insurance   | 34,216                          | 1,536                           | 2,424                         | 38,176              | 1,723                                | 39,899              |
| Utilities   | 40,906                          | 1,836                           | 2,898                         | 45,640              | 2,060                                | 47,700              |
| Supplies and Materials                                | 39,403                          | 1,768                           | -                             | 41,171              | 24,181                               | 65,352              |
| Staff Development                                     | 16,696                          | 749                             | -                             | 17,445              | -                                    | 17,445              |
| Marketing and Recruitment                             | 4,695                           | 211                             | -                             | 4,906               | 569                                  | 5,475               |
| Technology  | 20,640                          | 926                             | -                             | 21,566              | 2,502                                | 24,068              |
| Food Service  | -                               | -                               | 165,384                       | 165,384             | -                                    | 165,384             |
| Student Services                                      | 87,394                          | 3,923                           | 200,075                       | 291,392             | -                                    | 291,392             |
| Office Expense  | 44,942                          | 2,017                           | 3,184                         | 50,143              | 2,262                                | 52,405              |
| Depreciation  | 201,738                         | 9,055                           | -                             | 210,793             | 24,453                               | 235,246             |
| Interest Expense                                      | 295,431                         | 13,260                          | -                             | 308,691             | 35,808                               | 344,499             |
| Miscellaneous   | <u>37,422</u>                   | <u>1,680</u>                    | <u>-</u>                      | <u>39,102</u>       | <u>4,536</u>                         | <u>43,638</u>       |
| Total Expenses  | <u>\$ 4,612,517</u>             | <u>\$ 253,957</u>               | <u>\$ 541,537</u>             | <u>\$ 5,408,011</u> | <u>\$ 607,513</u>                    | <u>\$ 6,015,524</u> |

**1. ORGANIZATION AND PURPOSE**

*Organization*

Henry Johnson Charter School (the “School”) is a New York not-for-profit organization that works to ensure all students reach the highest levels of scholastic achievement in an environment that instills character, virtue and “habits of mind” that ensure success both within and outside the classroom: diligence, courage, respect, self-reliance, duty and responsibility.

A provisional charter, valid for five years, was granted to the School by the University of the State of New York pursuant to Article 56 of the Education Law of the State of New York. The School began providing educational services in the fall of 2007 for K-1 grades. The provisional charter allowed for an additional grade to be added in each subsequent year until the School reached grades K-4. The School’s charter renewal has been granted through June 30, 2025. As of June 30, 2020, the School had an enrollment of 349 students in K to 4<sup>th</sup> grades.

The School is governed by a Board of Trustees in accordance with the School’s by-laws. The School partners with Albany Charter School Network which provides academic and operational assistance to area charter schools.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Accounting Policies and Financial Statement Presentation*

The following summarizes the significant accounting policies consistently applied in the preparation of the School’s financial statements, with references to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) where applicable.

*Basis of Accounting*

The financial statements have been prepared using the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. This basis of accounting is in accordance with accounting principles generally accepted in the United States of America.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *Revenue Recognition*

A substantial portion of the School's revenue and related receivables is derived from its billing to Albany City School District. State law requires Districts to reimburse the School on a per capita basis. These revenues are recognized ratably over the related school year during which they are earned.

Grants, contributions and unconditional promises to give are measured at their fair values and reported as an increase in net assets. The School reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. The School reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### *Revenue from Contracts with Customers*

Revenue from contracts with customers is recognized in accordance with a five-step model as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation(s) in the contract
- Recognize revenue when or as performance obligations are satisfied

### Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2020 and 2019.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *Revenue from Contracts with Customers (Continued)*

#### Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third party payors for the Organization's contracts related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding and other sources for the Organization's contracts for services not yet performed that are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2020 and 2019.

#### *Functional Expenses*

Directly identifiable expenses are charged to the programs and supporting services benefitted. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Administrative expenses include those expenses not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

#### *Grants, Contracts and Accounts Receivable*

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than 90 days. Management considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

#### *Conditional and Unconditional Promises to Give*

At June 30, 2020 and 2019, the School had not received any conditional or unconditional promises to give.

#### *Property, Equipment and Depreciation*

Acquisitions of property and equipment in excess of \$1,000 (individually) or \$2,500 (aggregated), are capitalized and recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs not improving or extending the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets (ranging from 3 to 39 years) and is computed using the straight-line method.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *Net Assets*

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the School and changes therein are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations.

**Net Assets with Donor Restrictions** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

### *Estimates*

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

### *Advertising Costs*

The School expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2020 and 2019 were \$35,936 and \$5,475, respectively.

### *Tax Status*

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as a school that is not a private foundation under Section 509(a).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Donated Services*

The School received donated services from unpaid volunteers who assisted in fund raising, office administration and program activities. For the services donated, the criteria for recognition in these financial statements of such volunteer effort was not met and, therefore, no revenue and expense has been reflected in these financial statements. Management has estimated that volunteers have provided approximately 100 hours in assisting the School in each of the years ended June 30, 2020 and 2019, respectively.

*Fair Value*

The ASC requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable input to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the School would receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants.

*Accounting for Uncertainty in Income Taxes*

The School follows the ASC, *Accounting for Income Taxes*, and their current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. The School has not recognized any benefits from uncertain tax positions in 2020 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheet date of June 30, 2020.

Forms 990 and state income tax returns filed by the School are subject to examination by taxing authorities up to three years after the extended due date of each return. Forms 990 and state income tax filings for the School are no longer subject to examination for the year ended June 30, 2016 and prior.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *New Accounting Pronouncements*

#### ASU No. 2014-09

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606): as modified by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, and ASU 2016-20, Technical Corrections and Improvements to Topic 606: Revenue from Contracts with Customers. The revenue recognition principle in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, new and enhanced disclosures are required. The School may adopt the new standard either using the full retrospective approach, a modified retrospective approach with practical expedients, or a cumulative effect upon the adoption approach. The School adopted the new standard using the modified retrospective approach. The adoption of ASU 2014-09 did not have a material impact on the School's financial statements and related disclosures.

#### ASU No. 2018-08

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU primarily affects all not-for-profit organizations because contributions are a significant source of revenue for these entities. However, the amendments in this update apply to all entities, including business entities, that receive or make contributions of cash and other assets, including promises to give within the scope of Subtopic 958-605 and contributions made within the scope of Subtopic 720-25, Other Expenses - Contributions Made. The School adopted this ASU in 2019. The accounting change has been applied on a modified prospective basis. Under a modified prospective basis, agreements not completed as of the ASU effective date as well as agreements entered into after the ASU effective date apply.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Future Accounting Pronouncement*

#### ASU No. 2016-02

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-to-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, as updated by ASU 2019-01, *Codification Improvements*, and ASU 2019-10, *Effective Dates*, issued in March and November 2019, respectively. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The School is currently evaluating the impact that ASU 2016-02 will have on the School's financial statements and related disclosures.

### *Reclassifications*

Certain 2019 amounts have been reclassified to conform to the 2020 financial statement presentation.

### *Subsequent Events*

The School follows the ASC, *Subsequent Events*, which establishes general standards of accounting for, and disclosure of, events that occur after the date of the financial statements but before the financial statements are issued or are available to be issued. In the preparation of these financial statements and notes thereto, management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 19, 2020, the date the financial statements were available to be issued. The following event was identified.

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the School and its future financial position and results of operations is not presently determinable.



**HENRY JOHNSON CHARTER SCHOOL**  
*NOTES TO FINANCIAL STATEMENTS (CONTINUED)*  
*JUNE 30, 2020 AND 2019*

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**3. BOARD DESIGNATED CASH**

The School has internally designated cash in the amount of \$275,680 and \$275,352 as of June 30, 2020 and 2019, respectively. The intended purpose of this designation is to provide for unforeseen operating costs within the next operating cycle and is comprised of the following:

|                        | <u><b>2020</b></u> | <u><b>2019</b></u> |
|------------------------|--------------------|--------------------|
| Dissolution Escrow (1) | \$ 75,139          | \$ 75,030          |
| General Savings        | 200,541            | 200,322            |
|                        | <u>\$ 275,680</u>  | <u>\$ 275,352</u>  |

(1) As required in the School's Charter Agreement.

**4. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE**

At June 30, 2020 and 2019, grants, contracts and accounts receivable were comprised of the following:

|                                | <u><b>2020</b></u> | <u><b>2019</b></u> |
|--------------------------------|--------------------|--------------------|
| School District Tuition        | \$ 407,735         | \$ 128,660         |
| U.S. Department of Agriculture | -                  | 30,022             |
| Grants Receivable              | 91,081             | 14,215             |
| Other Receivables              | -                  | 7,152              |
|                                | <u>\$ 498,816</u>  | <u>\$ 180,049</u>  |

**5. PROPERTY AND EQUIPMENT, NET**

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2020 and 2019:

|                                | <u><b>2020</b></u>  | <u><b>2019</b></u>  |
|--------------------------------|---------------------|---------------------|
| Buildings                      | \$ 6,983,442        | \$ 6,983,442        |
| Building Improvements          | 16,880              | 16,880              |
| Computer Software              | 17,558              | 17,558              |
| Land                           | 483,000             | 483,000             |
| Land Improvements              | 15,683              | 15,683              |
| Equipment                      | 392,824             | 342,162             |
| Furniture and Fixtures         | 241,237             | 241,237             |
| Total at Cost                  | 8,150,624           | 8,099,962           |
| Less: Accumulated Depreciation | (1,551,629)         | (1,323,491)         |
|                                | <u>\$ 6,598,995</u> | <u>\$ 6,776,471</u> |

Depreciation expense was \$228,138 and \$235,246 the years ended June 30, 2020 and 2019, respectively.

**6. LONG-TERM DEBT**

Long-term debt is comprised of the following at June 30, 2020 and 2019:

|   | <u><b>2020</b></u>         | <u><b>2019</b></u>         |
|---|----------------------------|----------------------------|
| Mortgage loan payable to Local Initiatives Support Corporation, in monthly payments of \$36,659, including interest at 6%, maturing in September, 2043, collateralized by the building. | \$ 5,509,485               | \$ 5,615,249               |
| Less: unamortized debt issuance costs, net  | (87,884)                   | (91,705)                   |
| Less: current portion   | <u>(112,073)</u>           | <u>(105,211)</u>           |
| Long-term debt, net of current portion and unamortized debt issuance costs  | <u><u>\$ 5,309,528</u></u> | <u><u>\$ 5,418,333</u></u> |

The School is required to maintain debt covenants by the lender of the mortgage. As of June 30, 2019 (most recent information available), the School was not in compliance with all applicable covenants. The bank has issued a waiver of this requirement for the year ended June 30, 2019.

Unamortized debt issuance costs as of June 30, 2020 and 2019 consist of the following:

|  | <u><b>2020</b></u>      | <u><b>2019</b></u>      |
|--|-------------------------|-------------------------|
| Transaction and Financing Costs - Twenty-Eight Year Amortization | \$ 108,900              | \$ 108,900              |
| Less: Accumulated Amortization                                   | <u>(21,016)</u>         | <u>(17,195)</u>         |
| Unamortized Debt Issuance Costs, Net                             | <u><u>\$ 87,884</u></u> | <u><u>\$ 91,705</u></u> |

Estimated debt maturities at June 30 over the next five (5) years and thereafter are as follows:

|            |                            |
|------------|----------------------------|
| 2021       | \$ 112,073                 |
| 2022       | 119,578                    |
| 2023       | 126,953                    |
| 2024       | 133,932                    |
| 2025       | 143,038                    |
| Thereafter | <u>4,873,911</u>           |
|            | <u><u>\$ 5,509,485</u></u> |

**7. RETIREMENT PLAN**

The School has adopted a SIMPLE IRA retirement plan that substantially all employees are eligible to participate in. The School contributes a matching contribution of up to 3% of the employee's gross compensation to any employee who contributes to the plan. The School's retirement plan expense for the years ended June 30, 2020 and 2019 was \$47,957 and \$45,393, respectively.

**8. CONCENTRATION OF RISK**

The School receives a substantial portion of its funding from school districts where students reside. Three school districts comprised approximately 93% and 91% of total revenue and support for the years ended June 30, 2020 and 2019, respectively. No other funding source accounted for more than 10% of total revenue and support.

The School does occasionally maintain deposits in excess of federal insured limits. The ASC identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These changes, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

**9. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The School has \$3,151,164 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of unrestricted cash of \$2,652,348 and accounts, grants and contracts receivable of \$498,816. The School has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$947,000. The School has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**ADDITIONAL 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***

To the Board of Trustees  
Henry Johnson Charter School  
Albany, New York

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 Henry Johnson Charter School (a nonprofit organization) (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 19, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
October 19, 2020

**CUSACK & COMPANY**  
**Certified Public Accountants LLC**  
7 AIRPORT PARK BOULEVARD  
LATHAM, NEW YORK 12110  
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MEMBERS OF:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:  
NEW YORK STATE SCHOOL OF  
CERTIFIED PUBLIC ACCOUNTANTS

October 19, 2020

To the Board of Trustees  
Henry Johnson Charter School  
Albany, New York

We have audited the financial statements of Henry Johnson Charter School for the year ended June 30, 2020, and have issued our report thereon dated October 19, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. As described in Note 2, the School changed the accounting policies related to exchange transactions by adopting FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. The School also changed the accounting policies for reporting of contributions received and contributions made by adopting FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, the accounting change has been applied on a modified prospective basis. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole except as noted in Schedule 1, if applicable.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 19, 2020.

### *Management Consultations with Other Independent Accountants*

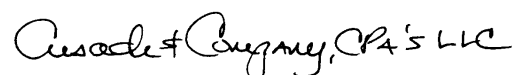
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of trustees and management of Henry Johnson Charter School and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Cusack & Company, CPAs LLC". The signature is written in a cursive, flowing style.

**CUSACK & COMPANY, CPAS, LLC**



# Henry Johnson Charter School

## Adjusting Journal Entries

July 1, 2019 - June 30, 2020

| Date  | Reference | Account | Description  | WP Reference | Debit             | Credit            | Net Income Effect | Misstatement |
|---|-----------|---------|--|--------------|-------------------|-------------------|-------------------|--------------|
| <b>Adjusting Journal Entries</b>                |           |         |  |              |                   |                   |                   |              |
| 06/30/20  | AJE01     |         | To record current year amortization expense.                   | K-1          |                   |                   | (3,821.05)        |              |
|   |           | 5677    | Amortization Expense   |              | 3,821.05          |                   |                   |              |
|   |           | 1595    | Accumulated Amortization                                       |              |                   | 3,821.05          |                   |              |
| 06/30/20  | AJE02     |         | Adjust for over accrual  | O-1.1B       |                   |                   | 89,700.73         |              |
|   |           | 2016    | Accrued Salaries   |              | 89,700.73         |                   |                   |              |
|   |           | 6200    | Teacher Salaries - Other                                       |              |                   | 54,511.86         |                   |              |
|   |           | 6240    | Special Teacher Wages  |              |                   | 9,785.77          |                   |              |
|   |           | 6255    | Special Ed/Counselor Salaries                                  |              |                   | 4,362.60          |                   |              |
|   |           | 6263    | Counselor  |              |                   | 3,740.92          |                   |              |
|   |           | 6250    | Ed Assistance Wages  |              |                   | 9,834.72          |                   |              |
|   |           | 6223    | Teachers Salaries - Title I                                    |              |                   | 7,464.86          |                   |              |
| 06/30/20  | AJE03     |         | To capitalize equipment and record depreciation expense.       | H-Lead       |                   |                   | 36,405.52         |              |
|   |           | 5675    | Depreciation Expense   |              |                   | 21,988.98         |                   |              |
|   |           | 5676    | Depreciation Expense 30 Watervliet                             |              | 128.21            |                   |                   |              |
|   |           | 1511    | Accumulated Depreciation Furn/Fix PPE                          |              | 21,860.77         |                   |                   |              |
|   |           | 1501    | Equipment PPE  |              | 14,544.75         |                   |                   |              |
|   |           | 5107    | Computers & Software   |              |                   | 14,544.75         |                   |              |
| 06/30/20  | AJE04     |         | To write off uncollectible AR accounts and correct misposting. | C-1.2        |                   |                   | (45,376.89)       |              |
|   |           | 9000    | Bad Debt   |              | 38,389.92         |                   |                   |              |
|   |           | 1202    | School Districts Receivable                                    |              |                   | 38,389.92         |                   |              |
|   |           | 4002    | Albany CSD Regular Ed  |              | 1,592.97          |                   |                   |              |
|   |           | 1202    | School Districts Receivable                                    |              |                   | 1,592.97          |                   |              |
|   |           | 9000    | Bad Debt   |              | 5,394.00          |                   |                   |              |
|   |           | 1201    | Grants Receivable  |              |                   | 5,394.00          |                   |              |
| <b>Totals for Adjusting Journal Entries</b>     |           |         |  |              | <u>175,432.40</u> | <u>175,432.40</u> | <u>76,908.31</u>  |              |
| <b>Reclassifying Journal Entries</b>            |           |         |  |              |                   |                   |                   |              |
| 06/30/20  | REC01     |         | Reclassify balance that should have been excluded from AP      | N-2          |                   |                   | 0.00              |              |
|   |           | 2000    | Accounts Payable   |              | 47,330.00         |                   |                   |              |
|   |           | 1440    | Prepaid Insurance  |              |                   | 47,330.00         |                   |              |
| <b>Totals for Reclassifying Journal Entries</b> |           |         |  |              | <u>47,330.00</u>  | <u>47,330.00</u>  | <u>0.00</u>       |              |

Henry Johnson Charter School  
Adjusting Journal Entries

July 1, 2019 - June 30, 2020

| Date  | Reference | Account | Description  | WP Reference | Debit             | Credit            | Net Income<br>Effect | Misstatement |
|---|-----------|---------|--|--------------|-------------------|-------------------|----------------------|--------------|
| <b>Potential Journal Entries</b>            |           |         |  |              |                   |                   |                      |              |
| 06/30/20                                    | PJE01     |         | POTENTIAL: To adjust current portion M-Lead of LTD to correct balance. |              |                   |                   | (553.05)             |              |
|   |           | 2030    | Current Portion LTD  |              |                   | 553.05            |                      |              |
|   |           | 5401    | Interest Expense - LISC  |              | 553.05            |                   |                      |              |
| <b>Totals for Potential Journal Entries</b> |           |         |  |              | <u>553.05</u>     | <u>553.05</u>     | <u>(553.05)</u>      |              |
| <b>Report Totals</b>                        |           |         |  |              | <u>223,315.45</u> | <u>223,315.45</u> | <u>76,355.26</u>     |              |

Journal Entry count = 6