

TAPESTRY CHARTER SCHOOL

**Financial Statements
and
Supplementary Information**

Years Ended June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

TAPESTRY CHARTER SCHOOL

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Tapestry Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tapestry Charter School as of June 30, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of Tapestry Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tapestry Charter School's internal control over financial reporting and compliance.

Allied CPAs, P.C.

Tonawanda, New York
October 30, 2020

TAPESTRY CHARTER SCHOOL
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 6,514,863	\$ 5,383,455
Accounts receivable	907,944	281,795
Prepaid expenses	83,996	12,426
Total current assets	<u>7,506,803</u>	<u>5,677,676</u>
Property and equipment , net of accumulated depreciation of \$8,246,860 and \$6,908,899 in 2020 and 2019	28,470,590	29,376,735
Investments , held in trust	3,985,443	3,975,353
Other assets:		
Restricted cash reserve	75,000	75,000
Security deposit	<u>-</u>	<u>250</u>
Total assets	<u>\$ 40,037,836</u>	<u>\$ 39,105,014</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 178,097	\$ 234,271
Accrued expenses	2,309,241	2,377,830
Deferred revenue	-	114,304
Bonds payable, current maturities	425,000	400,000
Total current liabilities	<u>2,912,338</u>	<u>3,126,405</u>
Long term liabilities:		
Payroll Protection Program loan	1,923,000	-
Bonds payable, net of current maturities	<u>32,822,918</u>	<u>33,219,018</u>
Total liabilities	<u>37,658,256</u>	<u>36,345,423</u>
Net assets:		
Without donor restrictions	2,228,291	2,650,129
With donor restrictions	151,289	109,462
Total net assets	<u>2,379,580</u>	<u>2,759,591</u>
Total liabilities and net assets	<u>\$ 40,037,836</u>	<u>\$ 39,105,014</u>

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

TAPESTRY CHARTER SCHOOL
Statement of Activities
Year Ended June 30, 2020
(with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	2019
Revenues, Gains and Other Support:				
Public School District Revenue:				
Resident student enrollment	\$ 13,024,174	\$ -	\$ 13,024,174	\$ 12,849,100
Students with disabilities	890,249	-	890,249	734,262
Grants and contracts	-	587,375	587,375	465,152
Cafeteria income	490,697	-	490,697	360,690
Contributions	8,563	2,480	11,043	43,920
Fundraising income, net of direct expenses of \$10,746	5,455	-	5,455	11,379
Rental of facilities	2,580	-	2,580	3,765
Interest income	54,393	-	54,393	118,452
Miscellaneous income	114,405	-	114,405	199,554
Net assets released from restrictions:				
Satisfaction of program restrictions	548,028	(548,028)	-	-
Total revenues, gains and other support	<u>15,138,544</u>	<u>41,827</u>	<u>15,180,371</u>	<u>14,786,274</u>
Expenses and Losses:				
Program services:				
Regular education	10,716,944	-	10,716,944	10,566,182
Special education	1,158,915	-	1,158,915	1,155,980
Other programs	1,419,672	-	1,419,672	1,407,910
Total program services	<u>13,295,531</u>	<u>-</u>	<u>13,295,531</u>	<u>13,130,072</u>
Supporting services:				
Management and general	2,249,852	-	2,249,852	1,984,339
Development activities	14,999	-	14,999	21,944
Total expenses	<u>15,560,382</u>	<u>-</u>	<u>15,560,382</u>	<u>15,136,355</u>
Change in net assets	(421,838)	41,827	(380,011)	(350,081)
Net assets at beginning of year	<u>2,650,129</u>	<u>109,462</u>	<u>2,759,591</u>	<u>3,109,672</u>
Net assets at end of year	<u><u>\$ 2,228,291</u></u>	<u><u>\$ 151,289</u></u>	<u><u>\$ 2,379,580</u></u>	<u><u>\$ 2,759,591</u></u>

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

TAPESTRY CHARTER SCHOOL
Statement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Public School District Revenue:			
Resident student enrollment	\$ 12,849,100	\$ -	\$ 12,849,100
Students with disabilities	734,262	-	734,262
Grants and contracts	-	465,152	465,152
Cafeteria income	360,690	-	360,690
Contributions	4,134	39,786	43,920
Fundraising income, net of direct expenses of \$19,110	11,379	-	11,379
Rental of facilities	3,765	-	3,765
Interest income	118,452	-	118,452
Miscellaneous income	199,554	-	199,554
Net assets released from restrictions:			
Satisfaction of program restrictions	433,570	(433,570)	-
Total revenues, gains and other support	<u>14,714,906</u>	<u>71,368</u>	<u>14,786,274</u>
Expenses and Losses:			
Program services:			
Regular education	10,566,182	-	10,566,182
Special education	1,155,980	-	1,155,980
Other programs	1,407,910	-	1,407,910
Total program services	13,130,072	-	13,130,072
Supporting services:			
Management and general	1,984,339	-	1,984,339
Development activities	21,944	-	21,944
Total expenses	<u>15,136,355</u>	<u>-</u>	<u>15,136,355</u>
Change in net assets	(421,449)	71,368	(350,081)
Net assets at beginning of year	<u>3,071,578</u>	<u>38,094</u>	<u>3,109,672</u>
Net assets at end of year	<u>\$ 2,650,129</u>	<u>\$ 109,462</u>	<u>\$ 2,759,591</u>

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

TAPESTRY CHARTER SCHOOL
Statement of Functional Expenses
Year Ended June 30, 2020
(with comparative totals for 2019)

	No. of Positions (Unaudited)	Program Services				Supporting Services		Total	
		Regular Education	Special Education	Other Programs	Total	Management and General	Development Activities	2020	2019
Salaries and wages:									
Administrative staff	18	\$ -	\$ -	\$ -	\$ -	\$ 915,122	\$ 12,185	\$ 927,307	\$ 728,793
Instructional	99	5,840,197	741,703	-	6,581,900	-	-	6,581,900	6,318,706
Non-instructional	10	-	-	709,077	709,077	-	-	709,077	689,115
Total salaries	<u>127</u>	<u>5,840,197</u>	<u>741,703</u>	<u>709,077</u>	<u>7,290,977</u>	<u>915,122</u>	<u>12,185</u>	<u>8,218,284</u>	<u>7,736,614</u>
Payroll taxes		436,844	55,479	53,039	545,362	68,451	911	614,724	572,965
Employee benefits		912,325	115,865	110,768	1,138,958	142,955	1,903	1,283,816	1,257,815
Food service		-	-	226,349	226,349	-	-	226,349	188,192
Accounting and legal		-	-	-	-	252,125	-	252,125	212,758
Books and instructional material		22,652	-	-	22,652	-	-	22,652	16,644
Instructional consultants		134,602	69,250	-	203,852	-	-	203,852	132,616
Contracted services		-	-	-	-	145,129	-	145,129	218,695
Travel and conferences		10,758	-	-	10,758	-	-	10,758	5,670
Utilities		-	-	-	-	172,024	-	172,024	154,924
Classroom supplies		61,774	-	-	61,774	-	-	61,774	56,656
Arts, dance and music		21,661	-	-	21,661	-	-	21,661	29,317
Scholarships		-	-	-	-	-	-	-	1,000
Student services		9,339	-	8,199	17,538	-	-	17,538	17,590
Staff development		79,517	-	-	79,517	-	-	79,517	103,706
Interest expense		1,342,560	83,910	83,910	1,510,380	104,323	-	1,614,703	1,635,578
Office expense		-	-	-	-	65,915	-	65,915	80,648
Advertising and promotion		-	-	-	-	17,532	-	17,532	15,244
Maintenance and repairs		382,214	23,888	23,888	429,990	47,777	-	477,767	632,002
Telephone		32,340	2,021	2,021	36,382	13,515	-	49,897	55,749
Technology expense		138,014	-	-	138,014	-	-	138,014	196,660
Field trips and activities		30,488	-	69,692	100,180	-	-	100,180	195,085
Student testing and assessment		87,900	-	-	87,900	-	-	87,900	77,981
Sports expenses		-	-	55,678	55,678	-	-	55,678	56,756
Insurance		114,116	7,132	7,132	128,380	14,264	-	142,644	161,228
Vehicle expense		-	-	6,249	6,249	-	-	6,249	12,624
Miscellaneous		-	-	-	-	70,078	-	70,078	47,934
Depreciation and amortization		1,059,643	59,667	63,670	1,182,980	220,642	-	1,403,622	1,263,704
Total		<u>\$ 10,716,944</u>	<u>\$ 1,158,915</u>	<u>\$ 1,419,672</u>	<u>\$ 13,295,531</u>	<u>\$ 2,249,852</u>	<u>\$ 14,999</u>	<u>\$ 15,560,382</u>	<u>\$ 15,136,355</u>

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

TAPESTRY CHARTER SCHOOL
Statement of Functional Expenses
Year Ended June 30, 2019

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

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

TAPESTRY CHARTER SCHOOL
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from public school districts	\$ 13,428,394	\$ 13,547,125
Cash received from grants	336,269	723,408
Cash received from contributions	35,825	43,920
Cash received from cafeteria	468,237	355,288
Cash received from other sources	186,411	318,793
Payments to employees for services and benefits	(10,200,675)	(9,400,491)
Payments to vendors and suppliers	(2,481,818)	(2,720,860)
Payments for interest	(1,685,568)	(1,686,013)
Net cash provided by operating activities	<u>87,075</u>	<u>1,181,170</u>
Cash flows from investing activities:		
Purchase of restricted bond investments	(10,090)	-
Purchase of property and equipment	(433,980)	(790,947)
Net cash used in investing activities	<u>(444,070)</u>	<u>(790,947)</u>
Cash flows from financing activities:		
Payments on long-term bonds payable	(434,597)	-
Proceeds from long-term note payable	1,923,000	-
Net cash provided by financing activities	<u>1,488,403</u>	<u>-</u>
Net increase in cash	1,131,408	390,223
Cash at beginning of period	<u>5,458,455</u>	<u>5,068,232</u>
Cash at end of period	<u><u>\$ 6,589,863</u></u>	<u><u>\$ 5,458,455</u></u>

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

TAPESTRY CHARTER SCHOOL
Statements of Cash Flows, Continued
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	\$ (380,011)	\$ (350,081)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	1,403,622	1,263,705
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(626,148)	138,852
Prepaid expenses	(71,320)	(3,283)
Increase (decrease) in:		
Accounts payable	(56,175)	(46,251)
Accrued expenses	(68,589)	92,132
Deferred revenue	<u>(114,304)</u>	<u>86,096</u>
Net cash provided by operating activities	<u>\$ 87,075</u>	<u>\$ 1,181,170</u>
 Supplemental schedule of cash flow information:		
Cash paid for interest	<u>\$ 1,685,568</u>	<u>\$ 1,686,013</u>

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

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2020 and 2019

Note 1 - Organization and Summary of Significant Accounting Policies

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

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

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

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

Net Assets Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for any purpose in performing the primary objectives of the School. From time to time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Equivalents - For purposes of the statements of cash flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur. This is included as other assets on the statement of financial position as of June 30, 2020 and 2019.

Receivables - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There was no valuation allowance at June 30, 2020 and 2019.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2020 and 2019

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

Long-Lived Assets - The School reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. At June 30, 2020, no impairment in value has been recognized.

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

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

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

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

Advertising - The School follows the policy of charging the costs of advertising to expense as incurred. Advertising and promotional expense for the years ending June 30, 2020 and 2019 was \$17,531 and \$15,244, respectively.

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

Subsequent Events - The School has evaluated events and transactions after June 30, 2020, and through October 30, 2020, which is the date the financial statements were available to be issued.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2020 and 2019

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

Reclassifications - Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. The reclassifications have no effect on the reported amounts of total net assets or changes in total net assets.

Note 2 - Property and Equipment

Property and equipment at June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 1,513,386	\$ 1,470,196
Building	30,873,281	30,709,080
Building improvements	1,994,987	1,863,128
Office equipment	401,192	370,148
Instructional equipment	1,593,462	1,554,762
Kitchen equipment	174,729	174,729
Library equipment	74,356	74,356
Maintenance equipment	29,357	6,535
Vehicles	62,700	62,700
	<u>36,717,450</u>	<u>36,285,634</u>
Less accumulated depreciation	<u>(8,246,860)</u>	<u>(6,908,899)</u>
	<u>\$ 28,470,590</u>	<u>\$ 29,376,735</u>

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$1,340,125 and \$1,198,221, respectively.

Note 3 - Revolving Lines of Credit

The School has a \$20,000 revolving line of credit with a bank. Advances on the credit line are payable on demand with interest at 14.9%. Any outstanding balance is secured by a general security interest in all assets of the School. There was no outstanding balance on this agreement at June 30, 2020 and 2019.

The School also has a \$300,000 line of credit with a bank. Advances on the credit line are payable on demand with interest at the Wall Street Journal prime rate plus 1%, 4.25% as of June 30, 2020. Any outstanding balance is secured by a general security interest in all assets of the School. There was no outstanding balance on this agreement at June 30, 2020 and 2019.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2020 and 2019

Note 4 - Investments Held in Trust

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

	<u>2020</u>	<u>2019</u>
Project Fund - Series A	\$ -	\$ 64,296
Project Fund - Series B	-	248,878
Debt Service Reserve Fund - Series A	1,968,792	1,971,778
Debt Service Reserve Fund - Series B	120,488	120,671
Capitalized Interest Fund	6,374	6,307
Other Bond funds	1,889,789	1,563,423
	<u><u>\$ 3,985,443</u></u>	<u><u>\$ 3,975,353</u></u>

FASB ASC 820, Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). All of the Organization's investments are classified as level 1 measurements at June 30, 2020 and 2019.

Note 5 - Paycheck Protection Program Loan

On April 30, 2020, the School entered into a Promissory Note with Evans Bank in an aggregate principal amount of \$1,923,000 (the "Note"), pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act").

The Note is unsecured, bears interest at 1%, and is payable over a negotiable period of time.

Under the terms of the CARES Act, recipients of the PPP loan can apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. The Note is subject to forgiveness to the extent the proceeds are used for payroll costs and payments on mortgage interest, rent, utilities, and interest on other debt obligations. At this time, the School anticipates forgiveness of the entire amount of the PPP Note. However, the School is not in a position to estimate the timing of the completion of the forgiveness process. As a result, the School has elected to present the PPP Note as a long-term liability.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2020 and 2019

Note 6 - Bonds Payable

Long-term bonds payable as of June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$300,000 to \$595,000 plus interest at 3.875%, final payment due August 2027	\$ 2,545,000	\$ 2,545,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$615,000 to \$995,000 plus interest at 5.000%, final payment due August 2037	7,745,000	7,745,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$1,005,000 to \$1,555,000 plus interest at 5.000%, final payment due August 2047	12,620,000	12,620,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$1,635,000 to \$1,985,000 plus interest at 5.000%, final payment due August 2052	9,035,000	9,035,000
Buffalo and Erie County Industrial Land Development Corporation taxable revenue bonds (Tapestry Charter School Project) Series 2017B, with principal payment ranging from \$205,000 to \$475,000 plus interest at 6.000%, final payment due August 2023	<u>1,555,000</u>	<u>1,955,000</u>
	33,500,000	33,900,000
Unamortized bond premium - bond issuance price above par value	892,623	941,839
Less: Unamortized bond issuance costs	<u>(1,144,705)</u>	<u>(1,222,821)</u>
Net bonds payable	33,247,918	33,619,018
Less: Current maturities	<u>(425,000)</u>	<u>(400,000)</u>
Bonds payable, net of current maturities	<u>\$32,822,918</u>	<u>\$33,219,018</u>

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2020 and 2019

Note 6 - Bonds Payable, Continued

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

Debt issuance costs are amortized as interest expense over the remaining term of the bonds. Amortization of debt issuance costs for the years ended June 30, 2020 and 2019 was \$63,497 and \$65,483, respectively.

Aggregate maturities of net long-term bonds payable subsequent to June 30, 2020 are:

	<u>Principal</u>	<u>Unamortized bond premium</u>	<u>Unamortized bond issuance costs</u>
2021	\$ 425,000	\$ 50,436	\$ 62,892
2022	450,000	50,436	62,892
2023	475,000	50,436	62,892
2024	505,000	50,436	62,892
2025	530,000	50,436	62,892
Thereafter	31,115,000	640,443	830,245
	<u><u>\$33,500,000</u></u>	<u><u>\$ 892,623</u></u>	<u><u>\$ 1,144,705</u></u>

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specific purpose:		
Scholarships	\$ 5,013	\$ 13,219
Capital campaign	9,068	9,068
Staff development	70,335	-
Other purposes	66,873	87,175
	<u><u>\$ 151,289</u></u>	<u><u>\$ 109,462</u></u>

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2020 and 2019

Note 7 - Net Assets with Donor Restrictions, Continued

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Regular education	\$ 423,171	\$ 403,171
Educational and arts programs	90,159	30,399
Staff development	34,698	-
	<u><u>\$ 548,028</u></u>	<u><u>\$ 433,570</u></u>

Note 8 - Public School District Revenue

The School receives public school district funds for regular student enrollment. The rate per student is mandated by the State of New York Education Department. The rate paid by the Buffalo school district was \$13,350 and \$13,005 per student for the years ended June 30, 2020 and 2019, respectively. The School had 977 and 880 enrolled students at June 30, 2020 and 2019, respectively, with the majority of students coming from the Buffalo school district. Total public school district revenue amounted to \$13,914,423 and \$13,583,362 for the years ended June 30, 2020 and 2019, respectively.

Note 9 - Retirement Plan

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

TRS requires employee contributions of 3% of their annual salary for the first 10 years of service for those employees who joined the Plan between July 1976 and December 2009. Participants hired after January 1, 2010 are required to contribute 3.5% of their annual salary throughout their active membership in TRS. No employee contribution is required for those hired prior to July 1976. Pursuant to Article 11 of the Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate for the years ended June 30, 2020 and 2019 is 8.86% and 10.62% of the annual covered payroll, respectively. The School's required contribution was \$631,418 and \$540,381 for the years ended June 30, 2020 and 2019, respectively.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2020 and 2019

Note 10 - Liquidity and Availability of Resources

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,589,863	5,458,455
Accounts receivable	907,944	281,795
Investments	3,985,443	3,975,353
Total financial assets available	<u>11,483,250</u>	<u>9,715,603</u>
Less: Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	151,289	109,462
Restricted cash reserve	75,000	75,000
Investments held in trust	<u>3,985,443</u>	<u>3,975,353</u>
Total amounts unavailable for general expenditures within one year	<u>4,211,732</u>	<u>4,159,815</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 7,271,518</u>	<u>\$ 5,555,788</u>

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

Note 11 - Concentration of Credit Risk

The School maintains its cash balances at financial institutions within the Buffalo, New York area, which at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution. As of June 30, 2020, the maximum loss that would have resulted from that risk totaled \$6,136,418. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

TAPESTRY CHARTER SCHOOL
Notes to the Financial Statements, Continued
June 30, 2020 and 2019

Note 12 - Contingency

In 2019, an audit by the Office of the New York State Comptroller found the Buffalo School District had provided incorrect special education rates for over a decade. As a result, there is a dispute with the rate used for aid that passes through the District to the School for special education services. In February 2020, the District informed the School of its intent to recoup approximately \$782,000 in special education aid paid over the past decade of which approximately \$391,000 was recouped through June 30, 2020. This recoupment, in the amount of approximately \$391,000 has been recorded as a receivable at June 30, 2020 in the accompanying financial statements.

In April 2020, a court ruling determined that charter schools must first exhaust administrative remedies by submitting a State intercept form to the New York State Education Department Commissioner to recover monies withheld from the School. Consequently, the School has submitted a State intercept to the Commissioner and is following the administrative procedures to resolve the matter. No liability is recorded in these financial statements as management believes the School will be successful in challenging the District's recoupment of funds through the State administrative procedure.

Note 13 – Subsequent Event

Subsequent to June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. In addition, global markets have seen significant declines. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to the School, there is a reasonable possibility that the impact on the School's financial position and results of future operations could be material.

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TAPESTRY CHARTER SCHOOL
Schedule of Expenditure of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Grantor Number	Expenditures
U.S. Department of Education			
Passed through New York State Education Department:			
TITLE I-PT A - Improving Academic Achievement of the Financially Disadvantaged	84.010A	0021204045	\$ 356,798
TITLE IIA - Teacher and Principal Training and Recruitment Fund Program	84.367A	0147204045	40,844
TITLE IV - Student Support and Academic Enrichment	84.424A	0204204045	25,529
Total U.S. Department of Education			<u>423,171</u>
U.S. Department of Agriculture			
Passed through New York State Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	111,763
National School Lunch Program	10.553	N/A	332,184
Total Child Nutrition Cluster			<u>443,947</u>
Total Expenditures of Federal Awards			<u>\$ 867,118</u>

TAPESTRY CHARTER SCHOOL
Notes to Schedule of Expenditure of Federal Awards
June 30, 2020

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tapestry Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles and Audit Requirements of Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

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**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other
Matters based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Tapestry Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Tapestry Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2020.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this report

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

Allied CPAs, P.C.

Tonawanda, New York
October 30, 2020



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Tapestry Charter School

Report on Compliance for Each Major Federal Program

We have audited Tapestry Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tapestry Charter School's major federal programs for the year ended June 30, 2020. Tapestry Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tapestry Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tapestry Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tapestry Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, Tapestry Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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Report on Internal Control over Compliance

Management of Tapestry Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tapestry Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Tapestry Charter School's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tapestry Charter School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Allied CPAs, P.C.

Tonawanda, New York
October 30, 2020

**Tapestry Charter School
Schedule of Prior Year Findings and
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

A. Status of Prior Year Findings

N/A

B. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Tapestry Charter School.
2. No significant deficiencies in internal controls over financial reporting were disclosed during the audit of the financial statements and reported in the 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*.
3. No instances of noncompliance material to the financial statements of Tapestry Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Tapestry Charter School expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this schedule.
7. Programs tested as major programs include:
Child Nutrition Cluster – CFDA Number 10.553
8. The threshold for distinguishing Type A and B programs were \$750,000.
9. Tapestry Charter School was audited as a high-risk auditee.

C. Findings - Financial Statements Audit

None.

D. Findings and Questioned Costs - Major Federal Award Programs Audit

None.

* * * * *