



FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

HENRY JOHNSON CHARTER SCHOOL

TABLE OF CONTENTS
JUNE 30, 2021 AND 2020

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statement of Functional Expenses - 2021	6
Statement of Functional Expenses - 2020	7
Notes to Financial Statements	8-16
Additional Report Required by <i>Government Auditing Standards</i>	
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 <i>Government Auditing Standards</i>	17-18

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACK.CPA
WWW.CUSACK.CPA

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Henry Johnson Charter School
Albany, New York

Opinion

We have audited the accompanying financial statements of Henry Johnson Charter School (a nonprofit organization) (the "School"), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Henry Johnson Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Henry Johnson Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Henry Johnson Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Henry Johnson Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, on our consideration of Henry Johnson 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 effectiveness of Henry Johnson Charter School's 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 Henry Johnson Charter School's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 19, 2021

HENRY JOHNSON CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 3,136,005	\$ 2,652,348
Grants and Contracts Receivable	770,644	498,816
Prepaid Expenses	<u>8,336</u>	<u>11,336</u>
Total Current Assets	<u>3,914,985</u>	<u>3,162,500</u>
Other Assets		
Property and Equipment - Net	6,441,260	6,598,995
Cash - Board Designated	<u>275,708</u>	<u>275,680</u>
Total Other Assets	<u>6,716,968</u>	<u>6,874,675</u>
Total Assets	<u>\$ 10,631,953</u>	<u>\$ 10,037,175</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current Portion of Long-Term Debt	\$ 102,409	\$ 112,073
Accounts Payable and Accrued Expenses	63,227	63,964
Accrued Payroll and Benefits	281,896	316,699
Compensated Absences	<u>79,770</u>	<u>53,685</u>
Total Current Liabilities	527,302	546,421
Long-Term Liabilities		
Long-Term Debt, Net of Current Portion	<u>5,304,852</u>	<u>5,309,528</u>
Total Liabilities	<u>5,832,154</u>	<u>5,855,949</u>
Net Assets		
Without Donor Restrictions		
Undesignated	4,524,091	3,905,546
Board Designated	<u>275,708</u>	<u>275,680</u>
Total Net Assets	<u>4,799,799</u>	<u>4,181,226</u>
Total Liabilities and Net Assets	<u>\$ 10,631,953</u>	<u>\$ 10,037,175</u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Public School District		
Resident Student Enrollment	\$ 5,699,816	\$ 5,507,898
Students with Disabilities	29,957	19,345
Grants and Contracts		
Federal Grants	296,258	165,562
Food Service/Child Nutrition Program	<u>253,861</u>	<u>217,329</u>
Total Revenue	<u>6,279,892</u>	<u>5,910,134</u>
Expenses		
Program Services		
Regular Education	3,929,405	4,231,034
Special Education	222,646	176,954
Other Programs	<u>559,547</u>	<u>467,551</u>
Total Program Services	4,711,598	4,875,539
Management and General	<u>991,037</u>	<u>808,107</u>
Total Operating Expenses	<u>5,702,635</u>	<u>5,683,646</u>
Income from School Operations	<u>577,257</u>	<u>226,488</u>
Other Revenue		
E-Rate Income	-	15,971
Interest Income	28	328
Miscellaneous Income	<u>41,288</u>	<u>15,205</u>
Total Other Revenue	<u>41,316</u>	<u>31,504</u>
Change in Net Assets	618,573	257,992
Net Assets, Beginning of Year	<u>4,181,226</u>	<u>3,923,234</u>
Net Assets, End of Year	<u>\$ 4,799,799</u>	<u>\$ 4,181,226</u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 618,573	\$ 257,992
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Amortization of Debt Issuance Costs	3,821	3,821
Depreciation	217,400	228,138
Bad Debt Expense	1,593	43,784
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assets:		
Grants and Contracts Receivable	(273,421)	(362,551)
Prepaid Expenses	3,000	(599)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(737)	(7,318)
Accrued Payroll and Benefits	(34,803)	(3,174)
Compensated Absences	<u>26,085</u>	<u>9,656</u>
Net Cash Provided by Operating Activities	<u>561,511</u>	<u>169,749</u>
Cash Flows From Financing Activities		
Repayments of Long-Term Debt	<u>(18,161)</u>	<u>(105,764)</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	<u>(59,665)</u>	<u>(50,662)</u>
Net Increase in Cash	483,685	13,323
Cash, Beginning of Year	<u>2,928,028</u>	<u>2,914,705</u>
Cash, End of Year	<u>\$ 3,411,713</u>	<u>\$ 2,928,028</u>
Other Disclosures -		
Cash Paid for Interest	<u>\$ 329,652</u>	<u>\$ 334,421</u>

HENRY JOHNSON CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	<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	\$ 149,904	\$ -	\$ -	\$ 149,904	\$ 599,617	\$ 749,521
Instructional Personnel	2,176,015	113,094	-	2,289,109	-	2,289,109
Non-Instructional Personnel	-	-	142,204	142,204	-	142,204
Total Salaries	<u>2,325,919</u>	<u>113,094</u>	<u>142,204</u>	<u>2,581,217</u>	<u>599,617</u>	<u>3,180,834</u>
Fringe Benefits and Payroll Taxes	622,891	30,287	-	653,178	160,580	813,758
Retirement	33,763	1,642	-	35,405	8,704	44,109
Legal Services	3,282	160	-	3,442	846	4,288
Accounting and Audit Services	13,457	654	-	14,111	3,469	17,580
Other Purchased, Professional and Consulting Services	67,338	34,859	-	102,197	25,124	127,321
Repairs and Maintenance	182,599	8,879	16,380	207,858	30,694	238,552
Insurance	50,651	2,463	4,544	57,658	8,514	66,172
Utilities	33,989	1,653	3,049	38,691	5,713	44,404
Supplies and Materials	50,704	2,465	-	53,169	25,041	78,210
Staff Development	12,983	631	-	13,614	-	13,614
Marketing and Recruitment	13,729	668	-	14,397	3,540	17,937
Technology	26,309	1,279	-	27,588	6,782	34,370
Food Service	-	-	126,227	126,227	-	126,227
Student Services	48,714	2,369	265,332	316,415	-	316,415
Office Expense	20,191	982	1,811	22,984	3,394	26,378
Depreciation	166,409	8,091	-	174,500	42,900	217,400
Interest Expense	255,257	12,411	-	267,668	65,805	333,473
Bad Debt Expense	<u>1,220</u>	<u>59</u>	<u>-</u>	<u>1,279</u>	<u>314</u>	<u>1,593</u>
Total Expenses	<u>\$ 3,929,405</u>	<u>\$ 222,646</u>	<u>\$ 559,547</u>	<u>\$ 4,711,598</u>	<u>\$ 991,037</u>	<u>\$ 5,702,635</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	<u>2,562,617</u>	<u>97,933</u>	<u>146,220</u>	<u>2,806,770</u>	<u>499,245</u>	<u>3,306,015</u>
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
Bad Debt Expense	<u>35,509</u>	<u>1,357</u>	<u>-</u>	<u>36,866</u>	<u>6,918</u>	<u>43,784</u>
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>

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, 2021, the School had an enrollment of 379 students in K to 4th 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 obligation(s) in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation(s) in the contract
- Recognize revenue when earned or as performance obligation(s) 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, 2021 and 2020.

Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third party payors for the School'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 School'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, 2021 and 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 School.

Grants and Contracts 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, 2021 and 2020, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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, 2021 and 2020 were \$17,937 and \$35,936, respectively, and reported in the Statement of Functional Expenses as marketing and recruitment.

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).

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, 2021 and 2020, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021 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, 2021.

Forms 990 and state income tax returns (if applicable) 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, 2017 and prior.

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, 2021, and interim periods within those fiscal years. 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 2020 amounts have been reclassified to conform to the 2021 financial statement presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, the date the financial statements were available to be issued. No such events or transactions were identified by management.

3. BOARD DESIGNATED CASH

The School has internally designated cash in the amount of \$275,708 and \$275,680 as of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Dissolution Escrow (1)	\$ 75,147	\$ 75,139
General Savings	<u>200,561</u>	<u>200,541</u>
	<u>\$ 275,708</u>	<u>\$ 275,680</u>

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

4. GRANTS AND CONTRACTS RECEIVABLE

At June 30, 2021 and 2020, grants and contracts receivable were comprised of the following:

	<u>2021</u>	<u>2020</u>
School District Tuition	\$ 514,907	\$ 407,735
Grants Receivable	<u>255,737</u>	<u>91,081</u>
	<u>\$ 770,644</u>	<u>\$ 498,816</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 6,983,442	\$ 6,983,442
Building Improvements	16,880	16,880
Computer Software	77,223	17,558
Land	483,000	483,000
Land Improvements	15,683	15,683
Equipment	392,824	392,824
Furniture and Fixtures	<u>241,237</u>	<u>241,237</u>
Total at Cost	8,210,289	8,150,624
Less: Accumulated Depreciation	<u>(1,769,029)</u>	<u>(1,551,629)</u>
	<u>\$ 6,441,260</u>	<u>\$ 6,598,995</u>

Depreciation expense was \$217,400 and \$228,138 for the years ended June 30, 2021 and 2020, respectively.

6. LONG-TERM DEBT

Long-term debt is comprised of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Mortgage loan payable to Local Initiatives Support Corporation (“LISC”), in monthly payments of \$36,659, including interest at 6%, maturing in September, 2043, collateralized by the building. *	\$ 5,491,324	\$ 5,509,485
Less: unamortized debt issuance costs, net	(84,063)	(87,884)
Less: current portion	<u>(102,409)</u>	<u>(112,073)</u>
Long-term debt, net of current portion and unamortized debt issuance costs	<u>\$ 5,304,852</u>	<u>\$ 5,309,528</u>

* Starting September 1, 2020, LISC provided a one year delay on principal payments due to COVID-19. Payments have resumed in full as of September 1, 2021.

The School is required to maintain debt covenants by the lender of the mortgage. As of June 30, 2020 (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, 2020.

6. LONG-TERM DEBT (CONTINUED)

Unamortized debt issuance costs as of June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Transaction and Financing Costs - Twenty-Eight Year Amortization	\$ 108,900	\$ 108,900
Less: Accumulated Amortization	<u>(24,837)</u>	<u>(21,016)</u>
Unamortized Debt Issuance Costs, Net	<u>\$ 84,063</u>	<u>\$ 87,884</u>

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

2022	\$	102,409
2023		129,644
2024		136,777
2025		146,076
2026		142,861
Thereafter		<u>4,833,557</u>
		<u>\$ 5,491,324</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, 2021 and 2020 was \$44,109 and \$47,957, 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 91% and 93% of total revenue and support for the years ended June 30, 2021 and 2020, 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 \$3,906,649 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of unrestricted cash of \$3,136,005 and grants and contracts receivable of \$770,644. 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 \$950,000. The School has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

10. UNCERTAINTY

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.

ADDITIONAL REPORT REQUIRED
BY *GOVERNMENT AUDITING STANDARDS*

CUSACK & COMPANY
Certified Public Accountants LLC

7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACK.CPA
WWW.CUSACK.CPA

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2021, 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, 2021.

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) as a basis for designing 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 financial statements. 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, 2021