

HYDE LEADERSHIP CHARTER SCHOOL



Financial Statements (Together with Independent Auditors' Report)

Years Ended June 30, 2021 and 2020

and

**Single Audit Reports and Schedule as Required by the
Office of Management and Budget Uniform Guidance**

For the Year Ended June 30, 2021

**HYDE LEADERSHIP CHARTER SCHOOL
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2021 AND 2020

AND

**SINGLE AUDIT REPORTS AND SCHEDULE AS REQUIRED BY THE OFFICE
OF MANAGEMENT AND BUDGET UNIFORM GUIDANCE**

FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Hyde Leadership Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Hyde Leadership Charter School (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

Auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 ("SEFA") (shown on page 15), for the year ended June 30, 2021 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 27, 2021 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.



New York, NY
October 27, 2021

**HYDE LEADERSHIP CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents (Notes 2C, 3 and 12)	\$ 11,720,088	\$ 10,839,791
Restricted cash (Notes 2C, 3 and 12)	75,191	75,155
Contributions and grants receivable (Notes 2H and 3)	1,415,684	1,076,871
Prepaid expenses and other assets	<u>100,916</u>	<u>142,277</u>
Total current assets	13,311,879	12,134,094
Property and equipment, net (Notes 2I and 5)	<u>10,747,745</u>	<u>10,747,072</u>
TOTAL ASSETS	<u>\$ 24,059,624</u>	<u>\$ 22,881,166</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,244,732	\$ 1,320,452
Bonds payable, current (Notes 2J and 7)	<u>466,000</u>	<u>451,000</u>
Total current liabilities	2,710,732	1,771,452
Paycheck Protection Program Loan payable (Note 6)	3,130,640	3,130,640
Bonds payable, noncurrent, net of deferred financing cost (Notes 2J and 7)	12,804,011	13,247,782
Interest rate swap liability (Note 4)	<u>795,902</u>	<u>1,315,835</u>
TOTAL LIABILITIES	<u>19,441,285</u>	<u>19,465,709</u>
CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Without donor restrictions - undesignated	3,830,839	2,852,957
Without donor restrictions - designated by the Board (Note 2B)	<u>787,500</u>	<u>562,500</u>
	<u>4,618,339</u>	<u>3,415,457</u>
TOTAL NET ASSETS	<u>4,618,339</u>	<u>3,415,457</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,059,624</u>	<u>\$ 22,881,166</u>

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

**HYDE LEADERSHIP CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUE (Note 2N):		
State and local per pupil operating revenue (Notes 2G and 12)	\$ 19,425,768	\$ 19,035,269
Contributions from individuals (Notes 2F and 2M)	118,315	92,360
Government grants (Note 2G)	1,734,791	1,192,614
Grants from foundations (Note 2F)	<u>298,709</u>	<u>290,616</u>
TOTAL OPERATING REVENUE	<u>21,577,583</u>	<u>20,610,859</u>
OPERATING EXPENSES (Note 2K):		
Program Services		
General education	16,244,201	16,248,373
Special education	<u>2,141,228</u>	<u>1,928,335</u>
Total Program Services	<u>18,385,429</u>	<u>18,176,708</u>
Supporting Services		
Management and General	2,238,878	2,128,002
Fundraising	<u>303,659</u>	<u>232,103</u>
Total Supporting Services	<u>2,542,537</u>	<u>2,360,105</u>
TOTAL OPERATING EXPENSES	<u>20,927,966</u>	<u>20,536,813</u>
NET INCREASE FROM OPERATIONS	<u>649,617</u>	<u>74,046</u>
NON-OPERATING ACTIVITIES:		
Interest income	29,719	159,042
Other income	<u>3,613</u>	<u>14,902</u>
TOTAL NON-OPERATING ACTIVITIES	<u>33,332</u>	<u>173,944</u>
CHANGE IN NET ASSETS, BEFORE SWAP AGREEMENT	682,949	247,990
Gain (loss) on Swap Agreement (Note 4)	<u>519,933</u>	<u>(821,646)</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,202,882	(573,656)
Net Assets - without donor restrictions - beginning of year	<u>3,415,457</u>	<u>3,989,113</u>
NET ASSETS - WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 4,618,339</u>	<u>\$ 3,415,457</u>

HYDE LEADERSHIP CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Program Services			Supporting Services				
	General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2021	Total 2020
Salaries and Related Costs								
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,379,480	\$ 181,845	\$ 1,561,325	\$ 1,561,325	\$ 1,508,473
Instructional personnel	11,113,160	1,663,075	12,776,235	92,316	-	92,316	12,868,551	12,661,752
Fringe benefits and payroll taxes (Note 11)	2,468,926	364,039	2,832,965	397,552	43,437	440,989	3,273,954	3,029,317
Total Salaries and Related Costs	13,582,086	2,027,114	15,609,200	1,869,348	225,282	2,094,630	17,703,830	17,199,542
Instructional supplies and equipment	336,996	16,865	353,861	-	-	-	353,861	395,303
Professional fees and dues	15,054	130	15,184	83,655	553	84,208	99,392	97,872
Instructional support	45,990	35,158	81,148	-	-	-	81,148	132,418
Professional development	175,855	18,907	194,762	9,209	641	9,850	204,612	246,621
Business insurance	118,190	1,463	119,653	25,383	1,463	26,846	146,499	131,275
Telephone	72,345	1,824	74,169	14,172	1,903	16,075	90,244	111,847
Repairs and maintenance	119,197	108	119,305	1,601	41	1,642	120,947	115,858
Food services	16,420	-	16,420	-	-	-	16,420	30,882
Management fee (Note 9)	14,844	184	15,028	19,789	183	19,972	35,000	35,189
Printing and postage	33,195	412	33,607	6,797	685	7,482	41,089	54,597
Bank and payroll charges	158,122	24,321	182,443	33,850	2,859	36,709	219,152	232,476
Retreats, conferences and transportation	74,154	107	74,261	689	43,207	43,896	118,157	211,396
Marketing and recruitment	178,957	152	179,109	29,007	7,165	36,172	215,281	72,396
Technology supplies and services - non-classroom	167,039	2,868	169,907	42,393	2,197	44,590	214,497	101,118
Noncapitalized office furniture	1,418	-	1,418	-	-	-	1,418	3,053
Other administrative support	36,299	-	36,299	2,184	3,655	5,839	42,138	68,591
Office supplies	53,110	164	53,274	9,314	355	9,669	62,943	50,539
Rent (Note 8)	-	-	-	24,273	-	24,273	24,273	25,056
Other occupancy costs	152,383	-	152,383	-	-	-	152,383	193,771
Depreciation and amortization (Note 5)	446,472	11,433	457,905	36,809	1,298	38,107	496,012	472,050
Miscellaneous expenses	3,926	18	3,944	783	12,172	12,955	16,899	17,621
Bad debt expense	-	-	-	29,622	-	29,622	29,622	87,838
Interest expense (Notes 2J and 7)	442,149	-	442,149	-	-	-	442,149	449,504
TOTAL EXPENSES	\$ 16,244,201	\$ 2,141,228	\$ 18,385,429	\$ 2,238,878	\$ 303,659	\$ 2,542,537	\$ 20,927,966	\$ 20,536,813

**HYDE LEADERSHIP CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services			Supporting Services			
	General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2020
Salaries and Related Costs							
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 1,338,880	\$ 169,593	\$ 1,508,473	\$ 1,508,473
Instructional personnel	11,142,775	1,518,977	12,661,752	-	-	-	12,661,752
Fringe benefits and payroll taxes (Note 11)	2,453,374	330,527	2,783,901	208,866	36,550	245,416	3,029,317
Total Salaries and Related Costs	13,596,149	1,849,504	15,445,653	1,547,746	206,143	1,753,889	17,199,542
Instructional supplies and equipment	389,355	5,948	395,303	-	-	-	395,303
Professional fees and dues	2,101	-	2,101	92,387	3,384	95,771	97,872
Instructional support	132,418	-	132,418	-	-	-	132,418
Professional development	218,538	17,031	235,569	9,022	2,030	11,052	246,621
Business insurance	53,271	9,783	63,054	67,151	1,070	68,221	131,275
Telephone	56,510	7,583	64,093	44,429	3,325	47,754	111,847
Repairs and maintenance	109,391	-	109,391	6,388	79	6,467	115,858
Food services	30,882	-	30,882	-	-	-	30,882
Management fee (Note 9)	24,395	4,480	28,875	5,824	490	6,314	35,189
Printing and postage	29,987	5,194	35,181	15,981	3,435	19,416	54,597
Bank and payroll charges	165,857	23,267	189,124	40,738	2,614	43,352	232,476
Retreats, conferences and transportation	192,018	-	192,018	18,954	424	19,378	211,396
Marketing and recruitment	67,954	-	67,954	1,744	2,698	4,442	72,396
Technology supplies and services - non-classroom	44,191	4,436	48,627	51,961	530	52,491	101,118
Noncapitalized office furniture	1,966	-	1,966	1,087	-	1,087	3,053
Other administrative support	37,881	-	37,881	27,044	3,666	30,710	68,591
Office supplies	39,352	786	40,138	10,304	97	10,401	50,539
Rent (Note 8)	-	-	-	25,056	-	25,056	25,056
Other occupancy costs	193,771	-	193,771	-	-	-	193,771
Depreciation (Note 5)	400,744	323	401,067	69,272	1,711	70,983	472,050
Miscellaneous expenses	17,095	-	17,095	119	407	526	17,621
Bad debt expense	-	-	-	87,838	-	87,838	87,838
Interest expense (Notes 2J and 7)	444,547	-	444,547	4,957	-	4,957	449,504
TOTAL EXPENSES	\$ 16,248,373	\$ 1,928,335	\$ 18,176,708	\$ 2,128,002	\$ 232,103	\$ 2,360,105	\$ 20,536,813

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

**HYDE LEADERSHIP 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	\$ 1,202,882	\$ (573,656)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	29,622	87,838
Unrealized gain on investments	-	(452)
Depreciation expense	496,012	472,050
Noncash interest expenses	22,229	22,229
(Gain) loss on swap agreement	(519,933)	821,646
Subtotal	<u>1,230,812</u>	<u>829,655</u>
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Contributions and grants receivable	(368,435)	(242,551)
Prepaid expenses and other assets	41,361	(2,065)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>924,280</u>	<u>(53,192)</u>
Net Cash Provided by Operating Activities	<u>1,828,018</u>	<u>531,847</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(496,685)	(347,053)
Redemptions of certificate of deposits	<u>-</u>	<u>999,832</u>
Net Cash (Used In) Provided by Investing Activities	<u>(496,685)</u>	<u>652,779</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan payable	-	3,130,640
Principal payments of bond payable	<u>(451,000)</u>	<u>(435,000)</u>
Net Cash (Used in) Provided by Financing Activities	<u>(451,000)</u>	<u>2,695,640</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	880,333	3,880,266
Cash, cash equivalents and restricted cash - beginning of year	<u>10,914,946</u>	<u>7,034,680</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 11,795,279</u>	<u>\$ 10,914,946</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 419,920</u>	<u>\$ 427,275</u>

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

**HYDE LEADERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Hyde Leadership Charter School (the "School") is a New York State not-for-profit educational corporation that commenced operations as a charter school in the borough of the Bronx, New York City in July 2006. On January 10, 2006, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The School's latest charter was renewed on March 12, 2018 and is effective until June 30, 2023. The School operates classes for students in kindergarten through grade 12. The School is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC") and from state and local taxes under comparable laws.

The School's mission is to develop the deeper character and unique potential of each student. Using the Hyde process for family-based character education, the School unites parents, teachers and students in helping each student achieve their best academically as well as in sports, the arts and the community.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – The School prepares its financial statements using the accrual basis of accounting. The School adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. ***Net Assets*** – Net assets and revenues are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – represents net assets not subject to donor-imposed stipulations and are available for the general support of the School's operations. Certain net assets without donor restrictions are designated by the Board of Trustees for future use.

Net Assets With Donor Restrictions – represents net assets subject to donor-imposed stipulations that will be met by actions of the School or by the passage of time.

The School reports amounts received with donor stipulations that limit the use of the assets for certain purposes as net asset without donor restrictions if the stipulated purpose restriction is accomplished in the same year. As of June 30, 2021 and 2020, the School had no net assets with donor restrictions.

- C. ***Cash, Cash Equivalents and Restricted Cash*** – Cash equivalents include all highly liquid instruments purchased with maturities of 90 days or less. The School has not experienced any losses on these accounts. Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

As required by its charter, the School maintains a separate Dissolution Reserve Account, with a minimum balance requirement of \$75,000, which is included in cash and cash equivalents. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents	\$ 11,720,088	\$ 10,839,791
Restricted cash	<u>75,191</u>	<u>75,155</u>
Total	<u>\$ 11,795,279</u>	<u>\$ 10,914,946</u>

The School is also required to maintain a minimum unrestricted liquidity of \$3,000,000 to be tested each June 30 and December 31 as part of its covenant in relation to the bonds financing (Note 7).

**HYDE LEADERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Investments** – Investments are stated at fair value. Donated securities are recorded at their fair values on the date received using an average of the high and low price on the date received. Investment income is recorded as revenue in the period earned.
- E. **Fair Value Measurements** – Fair value measurements are the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.
- F. **Contributions and Grants** – Contributions received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, if material. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received.
- G. **Government Support** – State and local per pupil revenue resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Performance obligations are determined based on the nature of the services provided by the School in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The School measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

The School's performance obligations are primarily satisfied over time during the course of an academic year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2021 and 2020. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The School determines the transaction price based on established per pupil reimbursement rate.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which expenditures have not been incurred are reflected as refundable advances in the accompanying statements of financial position. Governmental grants are recognized as revenue when barriers within the contract are overcome and there is no longer a right of return. As of June 30, 2021 and 2020, the School received conditional grants and contracts from government agencies in the aggregate amount of approximately \$68,000 and \$0, respectively, that have not been recorded in the accompanying financial statements as they have not been earned. These grants and contracts require the School to provide certain services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the School may be required to return the funds already remitted.

- H. **Contributions and Grants Receivable** – Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances based upon an estimated allowance for doubtful accounts. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions and creditworthiness of its donors and grantors.

**HYDE LEADERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. **Property and Equipment** – The School capitalizes property and equipment having a cost of \$200 or more and a useful life of two or more years. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets. Property and equipment acquired with certain government contract funds are recorded as expenses pursuant to the terms of the contract.
- J. **Deferring Financing Fees** – Deferred financing fees represent costs incurred to obtain financing. These costs have been capitalized and are amortized as interest expense by the straight-line method, which approximate the effective interest method, over the term of the related outstanding debt. Deferred financing fees are presented as a direct reduction from the carrying amount of the related debt liability.
- K. **Functional Allocation of Expenses** – Expenses are categorized and summarized according to their functional classification as either program services, development, or management and general. Program services expenses are expenses directly associated with general education and special education those students requiring additional attention and guidance. Development expenses are expenses directly associated with the School's effort to raise funds to support the operations for the School. Lastly, management and general expenses are expenses related to the overall administration and operations of the school that are not directly associated with any program services or development.
- All of the above mentioned expense categories, when pertaining to a single and specific program, are charged against the relating functional expense classification. In the event that an expense serves multiple functional classification, for example utilities and space, the expense is allocated using reasonable, consistent and fair methodologies such as time and effort, and staff and student headcounts.
- L. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.
- M. **In Kind Revenue** – Donated services are recognized in the financial statements if the services or goods enhance or create nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills. There were no donated services for the years ended June 30, 2021 and 2020, respectively.
- N. **Measurement of Operations** – The School includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting services. Interest income, other income, and gains or losses on the swap agreement are reflected as nonoperating activities.

NOTE 3 – LIQUIDITY AND AVAILABILITY

As part of the School's liquidity management, the School invests cash in excess of daily requirements in short-term certificates of deposits and money market funds. In addition, the School maintains \$3,000,000 of restricted cash as minimum unrestricted liquidity as part of its covenant in relation to the bonds financing.

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 11,720,088	\$ 10,839,791
Contributions and grants receivable	<u>1,415,684</u>	<u>1,076,871</u>
	13,135,772	11,916,662
Less: Cash maintained as minimum unrestricted liquidity	(3,000,000)	(3,000,000)
Less: Board designated net assets	<u>(787,500)</u>	<u>(562,500)</u>
	<u>\$ 9,348,272</u>	<u>\$ 8,354,162</u>

HYDE LEADERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

As discussed in Note 7, in connection with the issuance of Series 2017 Bonds and in order to manage exposure to interest rate fluctuations, the School entered into an interest rate swap agreement. The fair value of the interest rate swap is estimated using Level 2 inputs, which are based on a model-derived valuation in which all significant inputs and significant value drivers are observable in active markets. The School considers the counterparty credit risk and bilateral or “own” credit risk adjustments in estimating fair value in accordance with Accounting Standards Codification (“ASC”) Topic 820.

Financial assets and liabilities carried at fair value as of June 30, 2021 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
LIABILITIES CARRIED AT FAIR VALUE			
Interest rate swap agreement	\$ <u>-</u>	\$ <u>795,902</u>	\$ <u>795,902</u>

Financial assets and liabilities carried at fair value as of June 30, 2020 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
LIABILITIES CARRIED AT FAIR VALUE			
Interest rate swap agreement	\$ <u>-</u>	\$ <u>1,315,835</u>	\$ <u>1,315,835</u>

**HYDE LEADERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,750,000	\$ 1,750,000	
Building	9,110,280	9,110,280	45 years
Building Improvement	305,725	273,013	10 years
Furniture and equipment	455,647	455,647	5 years
Computer and software	2,004,128	1,569,962	3 years
Office equipment	403,603	403,603	5 years
Instructional assets	<u>620,844</u>	<u>591,037</u>	3 years
	14,650,227	14,153,542	
Less: accumulated depreciation and amortization	<u>(3,902,482)</u>	<u>(3,406,470)</u>	
Total	<u>\$ 10,747,745</u>	<u>\$ 10,747,072</u>	

Depreciation expense and amortization amounted to \$496,012 and \$472,050 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration ("SBA"). If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

The School applied for and received a loan under this program from an SBA authorized lender amounting to \$3,130,640 on May 4, 2020. Management has opted to account for the proceeds as a loan under Financial Accounting Standards Board ("FASB") ASC 470 until the loan is, in part or wholly, forgiven and the School has been legally released.

Subsequent to year end, the School was notified by the lender that the PPP loan was fully forgiven on August 18, 2021.

NOTE 7 – BONDS PAYABLE

On December 15, 2017, the School entered into an agreement with Build NYC. Under the terms of the agreement, Build NYC has issued Series 2017 Bonds. The School received proceeds of \$15,250,000 net of bond issuance costs of \$555,716. The proceeds of the Bond were used to finance the acquisition by the School of its high school facility. These bonds are payable in annual installments beginning January 1, 2018 through December 1, 2042. The Series 2017 Bonds were privately placed and not part of a public offering and is subject to certain covenants. The Series 2017 Bonds bear a fixed interest rate of 1.639% plus a floating rate at USD-LIBOR-BBA*0.6501%. The bonds are secured by the high school facility included in the statements of financial position under property and equipment. As of June 30, 2021 and 2020, the School was in compliance with all financial covenants.

**HYDE LEADERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 – BONDS PAYABLE (Continued)

Future minimum debt service payments are as follows:

2022	\$	466,000
2023		479,000
2024		492,000
2025		507,000
2026		523,000
Thereafter		<u>11,280,000</u>
Total		13,747,000
Less:		
Financing costs		<u>(476,989)</u>
	\$	<u>13,270,011</u>

In connection with the issuance of the Series 2017 Bonds, the School entered into an interest rate swap agreement to mitigate the risk of increases in interest rates associated with the Series 2017 Bonds. Under the terms of the agreement, the School pays a synthetic fixed rate of 2.889% (1.25%+1.639%), determined at inception, and receives 65% times a one-month LIBOR plus a credit spread of 1.25%.

NOTE 8 – AGREEMENT FOR SCHOOL FACILITIES

The School operates under a Facility Shared Use Agreement (the “Agreement”) with the New York City Department of Education for dedicated and shared space at 730 Bryant Avenue, Bronx, New York. The Agreement commenced on July 1, 2006 at a cost of \$1. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services. The value of space and related utilities and services cannot be established, and therefore is not recorded in the financial statements. The School is responsible for any overtime-related costs for services provided beyond the regular operating hours. Rent expenses incurred for leased space at 1231 Lafayette Ave, Bronx NY 10474 for administrative staff for the years ended June 30, 2021 and 2020 amounted to approximately \$24,000 and \$25,000, respectively.

NOTE 9 – LICENSING AND SERVICES AGREEMENT

The Hyde Institute, a not-for-profit organization dedicated to helping start and support certain aspects of the charter school, provides management, fundraising, and other administrative support services to the School. Pursuant to the terms of a five-year licensing and services agreement with an effective date of October 17, 2016, the School pays the Hyde Institute an annual fee of \$60,000 for use of licensed educational models, program materials, training of new faculty and accreditation services. Upon expiration, there are automatic successive one-year renewal terms, unless terminated by the School and/or the Hyde Foundation by a written 90-day notice. Effective July 1, 2019, a new five-year licensing and services agreement was entered into with the annual fee of \$35,000 for use of licensed educational models, program materials, training of new faculty and accreditation services. As of October 2021, the School gave notice to Hyde Institute that it's in the process of terminating the agreement.

NOTE 10 –CONTINGENCIES

- A. The School believes it had no uncertain tax positions as of June 30, 2021 and 2020, in accordance with ASC 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- B. Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowances of costs submitted for reimbursement by the School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

**HYDE LEADERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 – CONTINGENCIES (Continued)

- C. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the School's operations and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the School is currently unable to fully determine the extent of COVID-19's impact on its operations in future periods. Management continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operation.

NOTE 11 – PENSION PLAN

The School maintains a defined contribution plan ("Plan") in accordance with the provisions of Section 403(b) of the IRC. The School matches employee contributions up to 5% of each employee's annual compensation not to exceed the employee's annual salary deferral amount. The School, at its own discretion, can make matching and nonelective contributions. Contributions amounted to \$507,977 and \$465,463 for the years ended June 30, 2021 and 2020, respectively, and are included in fringe benefits and payroll taxes in the accompanying statements of functional expenses.

NOTE 12 – CONCENTRATIONS

- A. The School receives a majority of its revenues from the New York State Education Department through the New York City Department of Education. The New York City Department of Education provides general operating support to the School based upon the location and the number of students enrolled. Operating support provided to the School by the New York City Department of Education totaled \$19,425,768 and \$19,035,269, respectively, for the years ended June 30, 2021 and 2020.
- B. Cash accounts that potentially subject the School to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2021 and 2020, there was approximately \$11,301,000 and \$10,697,000, respectively, of cash and cash equivalents held by a bank that exceeded FDIC limits.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to year end, the Board of Trustees has voted to officially change the name of Hyde Leadership Charter School. The change is expected to take place on or before June 30, 2022.

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the statements of financial position through October 27, 2021, the date the financial statements were available to be issued.

**HYDE LEADERSHIP CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Education				
Passed through the New York State Education Department				
Title I - Grants to Local Educational Agencies (LEAs)	84.010		\$ 587,161	\$ -
Title II - Supporting Effective Instruction State Grants	84.367		71,661	-
Title III - English Language Learner (ELL)	84.031		20,250	-
Title IV - Student Support and Academic Enrichment Program	84.424		28,091	-
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D		549,642	-
Special Education Cluster (IDEA):				
Passed through the New York State Education Department				
Special Education Cluster (IDEA), Individuals with Disabilities Education Act	84.027		206,896	-
Total U.S. Department of Education			1,463,701	-
U.S. Department of Agriculture				
Child Nutrition Cluster:				
Passed through the New York State Education Department				
School Breakfast Program	10.553		2,438	-
National School Lunch Program	10.555		5,243	-
Total Child Nutrition Cluster			7,681	-
Total U.S. Department of Agriculture			7,681	-
AMOUNTS PROVIDED TO SUBRECIPIENTS				\$ -
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,471,382	

HYDE LEADERSHIP CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hyde Leadership Charter School (the "School") for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting except for amounts passed through to subrecipients which are reported on a cash basis. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 3 – INDIRECT COST RATES

The School has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' 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**

The Board of Trustees of
Hyde Leadership 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 Hyde Leadership Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, 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 27, 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 our auditing 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 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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.

Marks Paneth LLP

New York, NY
October 27, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors of
Hyde Leadership Charter School

Report on Compliance for Each Major Federal Program

We have audited Hyde Leadership Charter School's (the "School") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2021. The School's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the School's major federal program 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 ("GAS"), and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "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 the 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 the major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.



Report on Internal Control Over Compliance

Management of the 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 the 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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.

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



New York, NY
October 27, 2021

**HYDE LEADERSHIP CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I—Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major program:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes X No

Identification of major program:

U.S. Department of Education:
CFDA 84.425D – Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards.

**HYDE LEADERSHIP CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

Prior Year Findings:

No matters were reported.