

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Visions Charter High School for the Humanities

Report on the Financial Statements

We have audited the accompanying financial statements of New Visions Charter High School for the Humanities (the "School"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 of 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 School'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 School'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.

An independent member of Baker Tilly International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Visions Charter High School for the Humanities as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019 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 the effectiveness of the 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 the School's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
October 22, 2019

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS	2019	2018
Cash	\$ 3,421,220	\$ 2,686,797
Cash - restricted	76,094	75,570
Grants receivable	453,756	566,266
Due from NYC Department of Education	-	3,822
Prepaid expenses and other assets	56,508	12,474
Due from related entities	3,867	29,696
Property and equipment, net	33,969	70,229
	<u>\$ 4,045,414</u>	<u>\$ 3,444,854</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 120,716	\$ 55,624
Accrued salaries and other payroll related expenses	321,859	407,783
Due to NYC Department of Education	83,228	-
Due to related entities	205,079	198,700
	<u>730,882</u>	<u>662,107</u>
NET ASSETS		
Net assets - without donor restrictions	3,310,391	2,774,425
Net assets - with donor restrictions	4,141	8,322
	<u>3,314,532</u>	<u>2,782,747</u>
	<u>\$ 4,045,414</u>	<u>\$ 3,444,854</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIESSTATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
State and local per pupil operating revenue	\$ 9,280,891	\$ 8,796,267
Government grants and contracts	862,653	736,106
	<u>10,143,544</u>	<u>9,532,373</u>
EXPENSES		
Program services	8,931,984	8,883,375
Management and general	867,790	979,799
	<u>9,799,774</u>	<u>9,863,174</u>
SUPPORT AND OTHER INCOME		
Contributions and other income	168,197	117,522
Interest income	19,034	4,790
Net assets released from restrictions	4,965	3,723
	<u>192,196</u>	<u>126,035</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>535,966</u>	<u>(204,766)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	784	11,076
Net assets released from restrictions	(4,965)	(3,723)
(DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(4,181)</u>	<u>7,353</u>
TOTAL CHANGE IN NET ASSETS	531,785	(197,413)
NET ASSETS - BEGINNING OF YEAR	<u>2,782,747</u>	<u>2,980,160</u>
NET ASSETS - END OF YEAR	<u>\$ 3,314,532</u>	<u>\$ 2,782,747</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	No. of Positions	Program Services			Supporting Services	2019
		Regular Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative staff personnel	24	\$ 945,369	\$ 187,860	\$ 1,133,229	\$ 600,179	\$ 1,733,408
Instructional personnel	55	2,906,139	1,235,905	4,142,044	-	4,142,044
Total salaries and staff	79	3,851,508	1,423,765	5,275,273	600,179	5,875,452
Fringe benefits and payroll taxes		701,576	274,774	976,350	123,232	1,099,582
Retirement		221,510	81,885	303,395	34,518	337,913
Management company fee		653,045	127,847	780,892	30,591	811,483
Legal services		1,791	612	2,403	647	3,050
Accounting and audit services		-	-	-	20,758	20,758
Other purchases of professional and consulting services		222,086	40,335	262,421	6,843	269,264
Repairs and maintenance		124,535	24,325	148,860	7,110	155,970
Insurance		43,886	8,592	52,478	2,056	54,534
Utilities		31,586	6,979	38,565	4,506	43,071
Instructional supplies and materials		98,204	17,827	116,031	-	116,031
Equipment and furnishings		16,367	3,138	19,505	3,853	23,358
Staff development		19,410	12,420	31,830	2,383	34,213
Marketing and recruitment		64	25	89	30	119
Technology		206,626	38,699	245,325	5,569	250,894
Food service		90,403	17,330	107,733	11,142	118,875
Student services		293,715	54,212	347,927	-	347,927
Office expense		129,687	25,289	154,976	11,448	166,424
Depreciation		39,187	7,672	46,859	1,836	48,695
Other		17,719	3,353	21,072	1,089	22,161
		\$ 6,762,905	\$ 2,169,079	\$ 8,931,984	\$ 867,790	\$ 9,799,774

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services	2018
		Regular Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative staff personnel	25	\$ 890,179	\$ 168,569	\$ 1,058,748	\$ 710,440	\$ 1,769,188
Instructional personnel	59	3,102,952	1,015,631	4,118,583	-	4,118,583
Total salaries and staff	84	3,993,131	1,184,200	5,177,331	710,440	5,887,771
Fringe benefits and payroll taxes		700,844	221,132	921,976	129,747	1,051,723
Retirement		227,948	67,600	295,548	40,556	336,104
Management company fee		625,670	116,297	741,967	20,622	762,589
Legal services		14,558	5,060	19,618	8,800	28,418
Accounting and audit services		-	-	-	23,275	23,275
Other purchases of professional and consulting services		238,020	43,581	281,601	1,951	283,552
Repairs and maintenance		42,438	9,321	51,759	4,931	56,690
Insurance		43,944	7,996	51,940	1,115	53,055
Utilities		38,810	7,823	46,633	5,983	52,616
Instructional supplies and materials		99,016	16,714	115,730	-	115,730
Equipment and furnishings		82,740	15,374	98,114	3,557	101,671
Staff development		15,887	8,206	24,093	1,673	25,766
Marketing and recruitment		154	40	194	130	324
Technology		216,268	37,883	254,151	8,278	262,429
Food service		133,726	24,521	158,247	2,633	160,880
Student services		272,957	48,816	321,773	-	321,773
Office expense		180,345	33,184	213,529	13,377	226,906
Depreciation		60,769	11,295	72,064	2,003	74,067
Other		31,429	5,678	37,107	728	37,835
		\$ 7,018,654	\$ 1,864,721	\$ 8,883,375	\$ 979,799	\$ 9,863,174

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIESSTATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 10,343,104	\$ 9,467,933
Other cash received	188,015	133,388
Cash paid to employees and suppliers	(9,783,737)	(9,824,340)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	747,382	(223,019)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(12,435)	(24,119)
NET INCREASE (DECREASE) IN CASH	734,947	(247,138)
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	2,762,367	3,009,505
CASH AND CASH - RESTRICTED - END OF YEAR	\$ 3,497,314	\$ 2,762,367
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 531,785	\$ (197,413)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	48,695	74,067
Changes in operating assets and liabilities:		
Grants receivable	112,510	(26)
Prepaid expenses and other assets	(44,034)	(6,926)
Due from related entities	25,829	(29,696)
Accounts payable and accrued expenses	65,092	(196,612)
Accrued salaries and other payroll related expenses	(85,924)	151,033
Due from NYC Department of Education	3,822	(3,822)
Due to NYC Department of Education	83,228	(60,592)
Due to related entities	6,379	46,968
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 747,382	\$ (223,019)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash and cash - restricted consist of:		
Cash	\$ 3,421,220	\$ 2,686,797
Cash - restricted	76,094	75,570
	\$ 3,497,314	\$ 2,762,367

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

1. NATURE OF THE ORGANIZATION

New Visions Charter High School for the Humanities (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 14, 2010 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, received a charter from The Charter Schools Institute – State University of New York ("SUNY–CSI") to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved charter application and charter agreement dated November 19, 2010. The School endeavors to extend equally to all students, regardless of their previous academic history, the highest quality education in an atmosphere of respect, responsibility, and safety. The School's charter was renewed for an additional five years, expiring in July 2021.

The School is exempt from federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

In fiscal year 2019, the School operated classes for students in ninth through twelfth grade.

The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, and school safety. Square footage totaling 12,629 feet is allocated to the School.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions, such as state and local per pupil operating revenue.

At June 30, 2019 and 2018, net assets with donor restrictions of \$4,141 and \$8,322, respectively, are restricted for a scholarship fund.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash – Restricted

Included in cash – restricted is an escrow account of \$76,094 and \$75,570 at June 30, 2019 and 2018, respectively, which is held aside for contingency purposes as required by SUNY–CSI.

Grants Receivable

Grants receivable represent federal and state entitlements and grants. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amounted to \$453,756 and \$566,266 at June 30, 2019 and 2018, respectively. The School has determined that no allowance for uncollectible accounts was necessary at June 30, 2019 and 2018. Such estimate is based on management's assessment of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

Revenue is recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from state and local governments 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. Federal and certain state and local funds are recorded when expenditures are incurred and billable to the government agencies.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Premises Provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined and is industry practice.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as they occur. The School has established a \$3,000 threshold above which assets are evaluated to be capitalized. The School expenses leasehold improvements because it has no lease and is uncertain that the space will be available beyond the close of the current fiscal year. Removable equipment that can be transferred to new space, if necessary, is capitalized. Depreciation is provided on the straight-line method over the estimated useful lives as follows:

Furniture and office equipment	3 years
Computer equipment	3 years

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2019 and 2018.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of the proportionate share of instructional and management and general expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 22, 2019, which is the date the financial statements were available to be issued.

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

The School files informational returns in the federal jurisdiction. With few exceptions, the School is no longer subject to federal income tax examinations for fiscal years before 2016.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as interest expense. The School would classify penalties in connection with underpayments of income tax as other expense.

The School is subject to tax reportable on Form 990T consisting of unrelated business income if they have provided pre-tax transportation benefits to employees.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain amounts in the June 30, 2018 financial statements have been reclassified to conform to the June 30, 2019 presentation. This reclassification had no effect on previously reported change in net assets.

Adoption of Accounting Pronouncement

Financial Statement Presentation

During the year ended June 30, 2019, the School adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The School has applied the update retrospectively to all periods presented and adjusted the presentation of these financial statements accordingly. As a result, the School reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions and amounts formerly classified as restricted net assets to net assets with donor restrictions. The adoption of this update had no other material effect on the School’s financial position and changes in net assets. In addition, the School has elected to continue to present a reconciliation in the statement of cash flows consistent with the indirect method.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

In June 2018, the FASB issued an accounting standards update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The School is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance-sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The School is currently evaluating the effect the update will have on its financial statements.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the School's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The School is evaluating the method of adoption it will elect. The update is originally effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The effective dates have tentatively been extended to fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The School strives to maintain a cash reserve equal to a minimum of three months of operating expenses, with a target of three to six months. Cash is kept in interest-bearing bank accounts to maximize returns.

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

	2019	2018
Cash	\$ 3,421,220	\$ 2,686,797
Cash - restricted	76,094	75,570
Grants receivable	453,756	566,266
Due from NYC Department of Education	-	3,822
Due from related entities	<u>3,867</u>	<u>29,696</u>
Total financial assets	3,954,937	3,362,151
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose	(76,094)	(75,570)
Restricted by donors with purpose restrictions	<u>(4,141)</u>	<u>(8,322)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 3,874,702</u>	<u>\$ 3,278,259</u>

At June 30, 2019 and 2018, the School has no board designated net assets.

4. RELATED PARTY TRANSACTIONS

New Visions for Public Schools ("New Visions") is a not-for-profit organization dedicated to supporting public schools and helping start and manage charter schools. Pursuant to the terms of the Educational Services Agreement by and between the School and New Visions dated July 22, 2011, New Visions provides educational management, operational, and fundraising services to the School. As compensation to New Visions for these services rendered, the School pays 8% of its gross revenue. Gross revenue is defined as all such funding provided by the State, Federal, and local governments, but excludes any private grant funding awarded to the School.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

4. RELATED PARTY TRANSACTIONS (CONTINUED)

The balance due to New Visions from the School at June 30, 2019 and 2018 amounted to \$202,521 and \$194,625, respectively, which is comprised of management fees. Total management fees incurred by the School for the years ended June 30, 2019 and 2018 totaled \$811,483 and \$762,589, respectively.

For operational efficiency and purchasing power, the School also shares expenses with other charter schools related by common management. At June 30, 2019, the balance due from other charter schools was \$3,867, and the balance due to other charter schools was \$2,558. At June 30, 2018, the balance due from other charter schools was \$29,696 and the balance due to other charter schools was \$4,075.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,:

	2019	2018
Computer equipment	\$ 378,056	\$ 365,621
Furniture and office equipment	17,483	17,483
	395,539	383,104
Less: accumulated depreciation	(361,570)	(312,875)
	<u>\$ 33,969</u>	<u>\$ 70,229</u>

Depreciation expense amounted to \$48,695 and \$74,067 for the years ended June 30, 2019 and 2018, respectively.

6. GRANTS RECEIVABLE

Grants receivable consist of federal and state entitlements and grants. The School expects to collect these receivables within one year. Grants receivable consist of the following as of June 30,:

	2019	2018
E-Rate Reimbursement	\$ 37,457	\$ 27,880
Mount Vernon – Per Pupil	135,399	71,176
Yonkers – Per Pupil	36,676	30,046
Title I	202,845	191,094
Title II	26,611	53,254
Title IV	14,768	-
NYS Additional Funding	-	192,816
	<u>\$ 453,756</u>	<u>\$ 566,266</u>

7. PENSION PLAN

The School has adopted the New Visions for Public Schools' pension plan (the "Plan") which is qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. The Plan is an elective contribution plan. Employees are eligible to enroll in the Plan once they have completed at least one full year of service and completion of 1,000 work hours and are also eligible for discretionary employer contributions. The School's contribution becomes fully vested after the sixth year of the employee's service. Pension expense amounted to \$337,913 and \$336,104, net of forfeitures, for the years ended June 30, 2019 and 2018, respectively, and is included in retirement in the statements of functional expenses.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

8. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to protect itself from such risks.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost 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.

9. COMMITMENTS

The School leases office equipment and copiers under non-cancellable operating leases which will expire at various times during the next three years. The leasing expense for the years ended June 30, 2019 and 2018 was \$66,747 and \$94,217, respectively, which is included in the accompanying statements of functional expenses under office expense. Future minimum lease payments are as follows:

<u>June 30,</u>	
2020	\$ 82,133
2021	63,000
2022	<u>63,000</u>
	<u>\$ 208,133</u>

10. CONCENTRATIONS

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.

The School received approximately 88% and 91% of its total revenue from per pupil funding from the NYCDOE for the years ended June 30, 2019 and 2018, respectively.

The School's grants receivable consist of two major grantors accounting for approximately 84% at June 30, 2019 and three major grantors accounting for approximately 90% at June 30, 2018.

The School's payables consist of one major vendor accounting for approximately 10% at June 30, 2019 and one major vendor accounting for approximately 19% at June 30, 2018.

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
New Visions Charter High School for the Humanities

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Visions Charter High School for the Humanities (the "School"), which comprise the statement of financial position as of June 30, 2019, 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 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as Finding 2019-01.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the School in a separate letter dated October 22, 2019.

An independent member of Baker Tilly International



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.

MBAF CPAs, LLC

New York, NY
October 22, 2019

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements
were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness (es) identified?	yes _____	no <u>✓</u> _____
Significant deficiency (ies) identified that are not considered to be material weaknesses?	yes _____	no <u>✓</u> _____
Noncompliance material to financial statements noted?	yes <u>✓</u> _____	no _____

SECTION II – FINANCIAL STATEMENT FINDING

Finding: 2019-01

Criteria and condition: The School is required to be in compliance with the New York State Education Department (“NYSED”) requirements. The teacher certification exemption allows charter schools to have up to 15 uncertified teachers. The School had 19 teachers that were uncertified.

Context: NYSED requires the School to have no more than 15 uncertified teachers, with the provision that five of these teachers are teaching math, science, computer science, technology, or career and technical education, with the remaining ten teachers not restricted.

Cause: Inadequate management oversight of NYSED requirements.

Effect: The School can be under additional scrutiny from the New York City Department of Education for not being in compliance with the NYSED requiring teachers to be qualified through certification.

Recommendation: We recommend the School review its hiring and recruitment procedures and staff retention policies in order to be in compliance with the NYSED teacher qualification requirements.

SECTION III – VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Finding: 2019-01

We recognize and agree with the finding regarding the noncompliance with teacher certification requirements during fiscal year 2019. New Visions for Public Schools (“New Visions”), which manages the School, consistently monitors the number of uncertified teachers at each New Visions charter school. The number of uncertified teachers is impacted by two factors: 1) the hiring and termination of uncertified teachers, and 2) change in certification status for current teachers. It is often this second factor that causes a school to exceed the 15 teacher limit. When this happens, New Visions will reach out to the teacher whose certification has lapsed in TEACH (the system of record), to encourage them to renew and/or update their status. In an effort to encourage teachers to remain, or become, certified, New Visions has negotiated a pay differential with the United Federation of Teachers in which uncertified teachers are paid less than certified teachers. Additionally, beginning in fiscal year 2019, New Visions’ Charter Residency Program Director has a program to help support certification for uncertified teachers within New Visions’ charter network.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

FINANCIAL STATEMENT FINDING

Finding No: 2018-01

Condition: The School is required to be in compliance with the New York State Education Department ("NYSED") requirements. The teacher certification exemption allows charter schools to have up to 15 uncertified teachers. The School had 22 teachers that were uncertified.

Current Status:

The finding has not been corrected, see Finding No. 2019-01.