

**PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**June 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Persistence Preparatory Academy Charter School

We have audited the accompanying balance sheet of Persistence Preparatory Academy Charter School (the School) as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the period October 12, 2017 (date of inception) through June 30, 2019, 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 audit. We conducted our audit 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 auditors' 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.

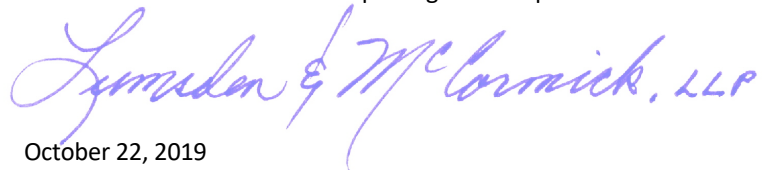
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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, 2019, and the changes in its net assets and cash flows for the period October 12, 2017 (date of inception) through June 30, 2019 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, 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.

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October 22, 2019

PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL

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**Balance Sheet**

June 30, 2019

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**Assets**

**Current assets:**

Cash	\$ 575,584
Grants and other receivables (Note 2)	67,645
Prepaid expenses	14,265
	<u>657,494</u>

Property and equipment, net (Note 3) 243,707

Restricted cash 25,000

\$ 926,201

**Liabilities and Net Assets**

**Current liabilities:**

Current portion of long-term debt (Note 5)	\$ 6,581
Accounts payable	31,351
Accrued expenses	54,742
Deferred revenue	76,194
	<u>168,868</u>

Long-term debt (Note 5) 7,382

**Net assets:**

Without donor restrictions 749,951

\$ 926,201

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PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL

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**Statement of Activities**

For the period October 12, 2017 (date of inception) through June 30, 2019

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**Support and revenue:**

Public school districts:

Revenue - resident student enrollment \$ 1,331,199

Revenue - students with disabilities 80,671

Revenue - additional state aid 26,000

Federal, state, and local grants 1,271,393

Contributions 34,362

Other income 7,439

**Total support and revenue** 2,751,064

**Expenses:**

Program expenses:

Regular education 1,109,722

Special education 165,588

Other program 100,073

Supporting services:

Management and general 625,730

**Total expenses** 2,001,113

**Change in net assets** 749,951

Net assets - beginning -

Net assets - ending \$ 749,951

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PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL

**Statement of Functional Expenses**

For the period October 12, 2017 (date of inception) through June 30, 2019

	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	3.0	\$ -	\$ -	\$ -	\$ 275,713	\$ 275,713
Instructional personnel	12.0	542,834	87,484	-	-	630,318
Non-instructional personnel	0.5	-	-	29,035	-	29,035
Total salaries	15.5	\$ 542,834	\$ 87,484	\$ 29,035	\$ 275,713	\$ 935,066
Salaries		\$ 542,834	\$ 87,484	\$ 29,035	\$ 275,713	\$ 935,066
Employee benefits and payroll taxes		124,082	20,372	5,556	54,028	204,038
Afterschool program		-	-	14,302	-	14,302
Classroom supplies and materials		61,933	-	-	-	61,933
Consultants and professional fees		13,500	51,275	-	101,862	166,637
Insurance		-	-	-	25,849	25,849
Interest		-	-	-	525	525
Occupancy		95,868	5,992	5,992	11,983	119,835
Office expense		-	-	-	24,326	24,326
Other expenses		-	-	-	11,323	11,323
Recruitment		-	-	-	62,359	62,359
Repairs and maintenance		-	-	-	40,040	40,040
Staff development		42,459	-	-	-	42,459
Student services		50,883	-	44,723	-	95,606
Technology		68,889	-	-	-	68,889
Telephone		7,447	465	465	931	9,308
		1,007,895	165,588	100,073	608,939	1,882,495
Depreciation		101,827	-	-	16,791	118,618
Total		\$ 1,109,722	\$ 165,588	\$ 100,073	\$ 625,730	\$ 2,001,113

PERSISTENCE PREPARATORY ACADEMY CHARTER SCHOOL

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**Statement of Cash Flows**

For the period October 12, 2017 (date of inception) through June 30, 2019

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**Operating activities:**

Cash received from public school districts	\$ 1,387,424
Cash received from federal, state, and local grants	1,330,388
Cash received from contributions	34,362
Cash received from other sources	7,439
Payments to employees for services and benefits	(1,084,362)
Payments to vendors and suppliers	(725,780)
Interest Paid	(525)

<b>Net operating activities</b>	<b>948,946</b>
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**Investing activities:**

Property and equipment expenditures	(342,519)
Increase in restricted cash	(25,000)

<b>Net investing activities</b>	<b>(367,519)</b>
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**Financing activities:**

Principal payments on long-term debt	(5,843)
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<b>Net change in cash</b>	<b>575,584</b>
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Cash - beginning	-
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<b>Cash - ending</b>	<b>\$ 575,584</b>
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**Notes to Financial Statements**

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**1. Summary of Significant Accounting Policies:****Organization and Purpose:**

Persistence Preparatory Academy Charter School (the School), chartered on October 12, 2017, operates a charter school in the City of Buffalo, New York (the City) authorized by the Board of Regents of the University of the State of New York. Pursuant to its charter application, the School began operations in the fiscal year ended June 30, 2019 offering classes from kindergarten through first grade and plans to add one grade per year until a full kindergarten through eighth grade school. The School has been chartered through June 2023 and continued operations subsequent to that date are contingent upon approval of its charter renewal.

The School's accompanying statements of activities and cash flows are presented for the period beginning October 12, 2017 (date of inception) through June 30, 2019 to facilitate state reporting requirements.

Summarized startup related activity included in the statement of activities for the period October 12, 2017 through June 30, 2018 is as follows:

Total revenue (primarily federal state and local grants)	\$ 866,102
Total expenses	(241,908)
Net assets	<u>\$ 624,194</u>

**Subsequent Events:**

The School has evaluated events and transactions for potential recognition or disclosure through October 22, 2019 (the date the financial statements were available to be issued).

**Cash:**

Cash in financial institutions potentially subjects the School to concentrations of credit risk since it may exceed insured limits at various times throughout the year. The School complies with a requirement to hold amounts in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur. This is presented as restricted cash on the balance sheet as of June 30, 2019.

**Receivables:**

Receivables are stated at the amounts management expects to collect from outstanding balances. Balances outstanding after management has used reasonable collection efforts are written off through a charge to bad debts expense and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

In June 2019, all New York State charter schools serving students in the fiscal 2019 school year received additional state aid. The additional aid received by each school was based on the number of students served and was paid directly from the New York State Department of Education. Additional aid totaling \$26,000 is included as enrollment fees receivable on the accompanying balance sheet as of June 30, 2019.

**Property and Equipment:**

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided over estimated asset service lives using the straight-line method. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

**Enrollment Fees:**

The School is reimbursed based on the approved operating expense per pupil of the public-school district in which the pupil resides. The amount received each year from the resident district is the product of the approved operating expense per pupil and the full-time equivalent enrollment of the students in the School residing in the district. The School's enrollment fees are received primarily from the Board of Education for the City School District.

**Grants:**

The School is the recipient of awards and reimbursements from federal, state and local sources. The awards and reimbursements are subject to compliance and financial audits by the funding source. Management believes no significant adjustments are necessary to recognized amounts.

### Transportation and Food Services:

The City School District provides the School with certain transportation and food services at no charge. The value of these services has not been recorded in these financial statements.

### Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under Section 501(a) of the Internal Revenue Code.

### Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Functional Expense Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries and benefits, which are allocated based on estimates of time and effort, and occupancy and telephone which are allocated based on management's estimate of program benefit.

### 2. Grants and Other Receivables:

	2019
Resident student enrollment	\$ 50,446
Grants	17,199
	<u>\$ 67,645</u>

### 3. Property and Equipment:

	2019
Leasehold improvements	\$ 229,977
Instructional and office equipment	132,348
	<u>362,325</u>
Less accumulated depreciation	118,618
	<u>\$ 243,707</u>

### 4. Short-Term Borrowings:

At June 30, 2019, the School has available a \$250,000 bank demand line of credit for working capital secured by essentially all assets of the School with interest payable at prime plus 1%. The line is subject to the usual terms and conditions applied by the bank for working capital financing and is annually reviewed and renewed. There were no borrowings on the line of credit at June 30, 2019.

### 5. Long-Term Debt – Lease Obligation:

In July 2018, the School entered into a capital lease agreement for office equipment totaling \$19,806.

### 6. Operating Lease:

In August 2018, the School began to lease property under the terms of a noncancelable operating lease. Rental expense under this lease was \$109,405 for the period ended June 30, 2019.

Future minimum annual rentals due are \$115,896 in 2020 and \$9,658 in 2021.

### 7. Retirement Plan:

The School participates in a multiple employer 401(k) pension plan covering essentially all employees effective January 1, 2018. The School contributes 6% of employees' salaries to the plan, subject to certain limitations. The School's pension expense was \$46,443 for the period ended June 30, 2019.

### 8. Cash Flows Information:

Noncash investing and financing activities excluded from the 2019 statement of cash flows include \$19,806 of equipment acquired through a capital lease.

## 9. Financial Assets Available for Operations:

The School obtains financial assets generally through enrollment fees and grants. The financial assets are acquired throughout the year to help meet the School's cash needs for general expenditures. If necessary, the School also has access to a \$250,000 bank demand line of credit (Note 4).

The School's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2019:

	<u>2019</u>
Cash	\$ 575,584
Receivables	<u>67,645</u>
	<u>\$ 643,229</u>

**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  
Persistence Preparatory Academy 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 Persistence Preparatory Academy Charter School (the School), which comprise the balance sheet as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the period October 12, 2017 (date of inception) through June 30, 2019, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**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 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.

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October 22, 2019