

KIPP TECH VALLEY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018



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To The Board Of Trustees
KIPP Tech Valley Charter School
Albany, New York

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of KIPP Tech Valley Charter School (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.

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 audits 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Tech Valley Charter School 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), 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 supplementary Schedule of Expenditures of Federal Awards are 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 31, 2019 on our consideration of KIPP Tech Valley Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 KIPP Tech Valley Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIPP Tech Valley Charter School's internal control over financial reporting and compliance.

Paul Becker & Charamonte, CPAs PC

Albany, New York
October 31, 2019

**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS		
	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 254,855	\$ 1,754,442
Reserved cash	546,084	145,018
Due from school districts, net	660,006	1,094,872
State and federal aid receivable	100,998	425,653
Prepaid expenses	<u>82,853</u>	<u>102,945</u>
Total Current Assets	<u>1,644,796</u>	<u>3,522,930</u>
Property, Plant, Equipment, and Textbooks		
Land	2,880,892	2,880,892
Building	10,724,623	10,724,623
Equipment	491,466	477,200
Textbooks	<u>72,044</u>	<u>72,044</u>
Total	14,169,025	14,154,759
Less accumulated depreciation and amortization	<u>(1,772,815)</u>	<u>(1,471,691)</u>
Net Property, Plant, Equipment, and Textbooks	<u>12,396,210</u>	<u>12,683,068</u>
Other Assets		
Bond trust accounts, restricted	1,000	1,000
Construction in Progress - Expansion	3,876,932	50,275
Interest rate swap agreement	<u>-</u>	<u>397,611</u>
Total Other Assets	<u>3,877,932</u>	<u>448,886</u>
TOTAL ASSETS	<u><u>\$ 17,918,938</u></u>	<u><u>\$ 16,654,884</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	\$ 559,504	\$ 406,362
Accounts payable	777,179	316,701
Accrued expenses	305,716	219,757
Deferred revenue	<u>-</u>	<u>1,274,362</u>
Total Current Liabilities	1,642,399	2,217,182
Long-Term Liabilities		
Interest rate swap agreement	473,403	-
Long-term debt, net of debt issuance costs	<u>16,378,809</u>	<u>14,826,312</u>
Total Liabilities	18,494,611	17,043,494
Net assets		
Without donor restrictions:		
Undesignated	(1,121,757)	(533,628)
Board designated	<u>546,084</u>	<u>145,018</u>
Total net assets	<u>(575,673)</u>	<u>(388,610)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,918,938</u></u>	<u><u>\$ 16,654,884</u></u>

See accompanying notes to financial statements.

**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Unrestricted Income		
Public School Districts:		
Resident student enrollment	\$ 9,134,963	\$ 7,126,439
Students with disabilities	57,353	45,086
Grants:		
Federal	915,313	1,139,251
State	13,600	213,069
Other	<u>212,033</u>	<u>29,841</u>
Total unrestricted income	<u>10,333,262</u>	<u>8,553,686</u>
Expenses		
Program Services:		
Regular education	4,119,361	3,765,349
Other programs	1,613,880	1,409,987
Special education	501,297	280,465
Supporting Services:		
Management and general	<u>3,414,773</u>	<u>2,744,720</u>
Total Expenses	<u>9,649,311</u>	<u>8,200,521</u>
Change in Unrestricted Net Assets Before Gain on Interest Rate Swap Agreement	683,951	353,165
Gain (loss) on interest rate swap agreement	<u>(871,014)</u>	<u>284,013</u>
Change in Net Assets Without Donor Restrictions	(187,063)	637,178
Net Assets Without Donor Restrictions, Beginning of Year	<u>(388,610)</u>	<u>(1,025,788)</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ (575,673)</u></u>	<u><u>\$ (388,610)</u></u>

See accompanying notes to financial statements.

**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services			Management And General	2019 Totals
	Regular Education	Special Education	Other Programs		
Functional Expenses					
Personnel service					
Instructional personnel	\$ 2,645,825	\$ 363,454	\$ -	\$ -	\$ 3,009,279
Administrative staff personnel	-	-	-	1,262,530	1,262,530
Non-instructional personnel	-	-	254,646	479,664	734,310
Total Salaries and Staff	2,645,825	363,454	254,646	1,742,194	5,006,119
Fringe benefits and payroll taxes	484,676	19,915	223,982	377,251	1,105,824
Interest	290,630	11,941	134,308	226,214	663,093
Student services	79,721	2,044	557,021	-	638,786
Depreciation	131,981	5,423	60,992	102,728	301,124
Bad debts	-	-	-	300,000	300,000
Food program	-	-	250,079	-	250,079
Repairs and maintenance	100,001	6,097	46,213	77,836	230,147
Retirement	93,178	3,829	43,060	72,526	212,593
Utilities	65,328	2,684	30,190	50,849	149,051
Office supplies and materials	-	48,215	-	65,074	113,289
Instructional supplies	105,301	1,221	-	-	106,522
Fees and licensing	-	-	-	98,224	98,224
Accounting	-	-	-	90,599	90,599
Consultants	17,597	19,063	-	36,659	73,319
Insurance	28,972	1,190	13,389	22,551	66,102
Lease - equipment	31,069	-	-	31,069	62,138
Recruitment	-	-	-	60,741	60,741
Legal	-	-	-	54,606	54,606
Staff development	43,206	-	-	5,340	48,546
Miscellaneous equipment	-	16,221	-	-	16,221
Travel	1,876	-	-	-	1,876
Board expenses	-	-	-	312	312
Lease - facility	-	-	-	-	-
Elementary School Startup	-	-	-	-	-
Total Functional Expenses	\$ 4,119,361	\$ 501,297	\$ 1,613,880	\$ 3,414,773	\$ 9,649,311

See accompanying notes to financial statements.

**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services			Management And General	2018 Totals
	Regular Education	Special Education	Other Programs		
Functional Expenses					
Personnel service					
Instructional personnel	\$ 2,240,824	\$ 218,350	\$ -	\$ -	\$ 2,459,174
Administrative staff personnel	-	-	-	875,348	875,348
Non-instructional personnel	-	-	163,555	629,399	792,954
Total Salaries and Staff	2,240,824	218,350	163,555	1,504,747	4,127,476
Fringe benefits and payroll taxes	401,332	16,490	185,466	312,380	915,668
Student services	93,525	2,205	600,731	-	696,461
Interest	256,459	10,537	118,517	199,618	585,131
Depreciation	132,894	5,460	61,414	103,440	303,208
Instructional supplies	290,794	1,140	-	-	291,934
Utilities	40,519	1,665	18,725	146,901	207,810
Food program	-	-	186,209	-	186,209
Repairs and maintenance	72,420	2,976	33,466	56,367	165,229
Retirement	62,630	2,573	28,943	48,749	142,895
Fees and licensing	-	-	-	87,098	87,098
Accounting	-	-	-	82,151	82,151
Office supplies and materials	-	-	-	81,158	81,158
Miscellaneous equipment	76,258	-	-	-	76,258
Consultants	16,539	17,917	-	34,457	68,913
Insurance	28,046	1,152	12,961	21,830	63,989
Lease - equipment	30,749	-	-	30,749	61,498
Staff development	18,161	-	-	2,245	20,406
Legal	-	-	-	14,767	14,767
Travel	4,199	-	-	6,666	10,865
Recruitment	-	-	-	10,261	10,261
Board expenses	-	-	-	1,136	1,136
Lease - facility	-	-	-	-	-
Bad debts	-	-	-	-	-
Elementary School Startup	-	-	-	-	-
Total Functional Expenses	\$ 3,765,349	\$ 280,465	\$ 1,409,987	\$ 2,744,720	\$ 8,200,521

See accompanying notes to financial statements.

KIPP TECH VALLEY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in unrestricted net assets	\$ (187,063)	\$ 637,178
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:		
Depreciation	301,124	303,208
Amortization classified as interest expense	22,089	20,175
Bad debt expense	312	-
(Gain) loss on interest rate swap agreement	871,014	(284,013)
(Increase) decrease in assets:		
Due from school districts	434,554	(745,519)
State and federal aid receivable	324,655	29,695
Inventory and prepaid expenses	20,092	(43,493)
Construction in progress - expansion	(3,826,657)	(50,275)
Increase (decrease) in liabilities:		
Accounts payable	460,478	221,342
Accrued expenses	85,959	55,104
Deferred revenue	(1,274,362)	1,274,362
Net Cash Provided (Used) By Operating Activities	<u>(2,767,805)</u>	<u>1,417,764</u>
Cash Flows From Investing Activities		
Expenditures for property, plant, equipment, and textbooks	<u>(14,266)</u>	<u>(43,392)</u>
Net Cash Used By Investing Activities	<u>(14,266)</u>	<u>(43,392)</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(405,736)	-
Proceeds from long-term debt, net of debt financing costs	<u>2,089,286</u>	<u>-</u>
Net Cash Provided By Financing Activities	<u>1,683,550</u>	<u>-</u>
Net Increase (Decrease) in Cash	(1,098,521)	1,374,372
Cash, Beginning of Year	<u>1,899,460</u>	<u>525,088</u>
Cash, End of Year	<u><u>\$ 800,939</u></u>	<u><u>\$ 1,899,460</u></u>
Supplemental Disclosure of Cash Flow Information		
Interest Paid	<u><u>\$ 641,004</u></u>	<u><u>\$ 564,959</u></u>

See accompanying notes to financial statements.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

1. ORGANIZATION, GOVERNANCE AND OPERATIONS

Organization

The KIPP Tech Valley Charter School (“the School”) was organized in 2004 to operate a charter school for grades 5 through 8, pursuant to Article 56 of the New York State Education Law and in accordance with related charter agreements with the Board of Regents of the University of the State of New York (“State University”). During 2015, the State University renewed the School’s provisional charter for a term of five years with the provisional charter expiring in 2020. As part of the renewal of the School’s 2015 provisional charter, permission was granted to expand the School to include kindergarten through grade 4. During the year ended June 30, 2017, the School began enrolling students in kindergarten, and in each subsequent year a grade will be added until the School reaches its provisional charter of a school for kindergarten through grade 8.

During the 2018-2019 School year, the School’s educational operations serving principally Albany, NY and surrounding areas had an annualized full time enrollment of 612 students in kindergarten through grade 2 and grades 5 through 8.

Governance and Operations

The School is governed by a Board of Trustees in accordance with the School’s by-laws. The School is a member of Knowledge is Power Program (KIPP) a network of nationally recognized private sector schools through a trademark license agreement with the KIPP Foundation. KIPP provides support and member services to the School to assist the School in fulfilling its mission of preparing all students for future opportunities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School prepares its financial statements on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables, and other liabilities, and recognizes revenue when earned and expense when incurred.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor imposed restrictions.

The School reports grants of cash and other assets as restricted support if they are received with stipulations that limit their use. When a restriction expires, that is, when a stipulated time or purpose restriction is accomplished, donor restricted net assets are reclassified to without donor restriction net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

The School reports restricted grants as unrestricted support whenever the restrictions are met in the same year the grants are received.

Cash

For the purposes of reporting its cash flows, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The School also follows the policy of maintaining its cash balances with high quality financial institutions.

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

A substantial portion of the School's revenue and related receivables is derived from its arrangement with the Albany City School District, which reimburses the School based on per capita enrollment. These revenues are recognized ratably over the related school year during which they are earned.

Revenue from other governmental sources generally represents entitlement grants and is recognized as earned, as allowable expenditures are incurred. Amounts received in advance of the allowable expenditures being incurred are recorded as deferred revenue. Costs are subject to audit and changes, if any, are recognized in the year known.

Bad Debts

An allowance for uncollectible accounts has been provided in amounts considered to be appropriate, based primarily upon the School's past credit loss experience and an evaluation of potential losses in the receivables outstanding. The allowance for uncollectible accounts was \$300,000 at June 30, 2019 and \$360,000 in 2018.

Bad debt expense was \$300,000 and \$-0- for the years ended June 30, 2019 and 2018, respectively.

Property, Plant, Equipment, and Textbooks

The School capitalizes expenditures for property and equipment in excess of \$1,000. Property, plant, equipment, and textbooks are stated at cost less accumulated depreciation. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method over the assets estimated useful lives. The following are the estimated useful lives used for depreciation and amortization:

	<u>Years</u>
Building	39
Equipment	3-7
Textbooks	3

Depreciation expense was \$301,124 and \$303,208 for the years ended June 30, 2019 and 2018, respectively.

Maintenance and repairs are charged to operations when incurred. When property, plant, equipment, and textbooks are sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved and any gain or loss is included in operations.

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and the School is also exempt from state income tax. The School has been classified as a publicly-supported organization that is not a private foundation under Section 509(a) of the Code. Tax positions are evaluated and recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities.

Commitments and Contingencies

The School follows the guidance for uncertainty in income taxes. As of June 30, 2019 the School believes that they have appropriate support for the income tax positions taken and to be taken on its returns based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter. The School has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the School for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The application of these accounting principles involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The School periodically evaluates estimates and assumptions used in the preparation of the financial statements and makes changes on a prospective basis when adjustments are necessary. Significant estimates made by the School in the accompanying financial statements include certain assumptions related to accounts receivable and long-lived assets. Actual results could differ from those estimates.

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services using specific allocation methods. 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.

Fair Value Instruments

Accounting principles generally accepted in the United States of America require disclosure of an estimate of fair value of certain financial instruments. The School's significant financial instruments are cash, accounts receivable, and liabilities, and approximate fair value because of the short maturity of these instruments.

Public Relations

The School records public relation costs as expenses when they are incurred. Public relations expenses were \$26,066 and \$20,978 for the years ended June 30, 2019 and 2018, respectively.

Presentation

Certain reclassifications, when applicable, are made to the prior year financial statement presentation to correspond to the current year's format. Reclassifications, when made, have no effect on total net assets or changes in net assets.

Subsequent Events

Subsequent events have been evaluated through October 31, 2019, which is the date the financial statements were available to be issued.

Recently adopted accounting principles

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU is effective for financial statements issued for annual periods beginning after December 15, 2017. The Organization has applied this standard retrospectively, and there has been no effect on net assets.

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently adopted accounting principles (continued)

In May 2014, ASU 2014-09, *Revenue From Contracts With Customers (Topic 606)*, was issued that replaces the existing revenue recognition framework regarding contracts with customers. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the standard requires disclosures of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is designed to create greater comparability for financial statement users across industries, jurisdictions and capital markets and also requires enhanced disclosures. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application. The new standard is effective for periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, however, early adoption is permitted. The Organization cannot reasonably estimate the impact of the new standard on the financial statements at this time.

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

Financial assets at year end:	
I. Operating Account	\$ 254,855
II. Dissolution Account (Reserved)	75,160
III. Operating Reserve (Reserved)	350,687
IV. Capital Budget Reserve (Reserved)	50,088
V. Child Nutrition (Reserved)	70,149
VI. Grant Receivable	67,387
VII. School District Receivable	960,006
VIII. Child Nutrition Receivable	<u>33,611</u>
Total financial assets	<u>1,861,943</u>
Less amounts not available to be used within one year:	
Allowance for Doubtful Accounts	(300,000)
II. Dissolution Account	<u>(75,160)</u>
Financial assets not available to be used within one year	<u>(375,160)</u>
Financial Assets Available To Meet General Expenditures Over The Next Twelve Months	<u><u>\$ 1,486,783</u></u>

The Board may designate, at its discretion, that a portion of its operating cash and cash equivalents account balances which had balances of \$1,561,943 (net of \$300,000 allowance account) as of June 30, 2019, be restricted by the Board. At June 30, 2019, the Board of Directors had reserved \$546,084 of the operating cash and equivalents as part of the School's plan to help ensure long-term financial stability, of which \$75,160 is a mandatory reserve for potential dissolution. Below is a description of each fund:

- I. The general purpose of the fund is for general operating expenses
- II. Pursuant to the Charter Agreement, segregate by Education Corporation Board resolution in an escrow account or attorney trust account a minimum of \$75,000 in funds (as directed by the Institute) to be used for legal, accounting and other expenses to execute this Closure Plan, dissolve the Education Corporation pursuant to §§ 219 or 220 of the Education Law and for any associated court proceedings including those associated with §§ 510-511 of the New York Not-For-Profit Corporations Law. The Institute will determine the exact amount.

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

3. AVAILABILITY AND LIQUIDITY (Continued)

- III. The general purpose of the fund is to help to ensure the long-term financial stability of KTV and position it to respond to varying economic conditions and revenue shortfalls, or other changes affecting the organization's financial position and the ability to continuously carry out its mission.
- IV. The general purpose of the fund is to help to fund long-term capital projects for KTV, including future growth and expansion as well as capital repairs on existing buildings.
- V. The fund is required by New York State Child Nutrition for excess funds.
- VI - VIII. Receivables expected to be recovered, less an allowance for doubtful accounts of \$300,000

4. PROPERTY, PLANT, EQUIPMENT, AND TEXTBOOKS

The details of property, plant, equipment, and textbooks, and accumulated depreciation for the years ended June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,880,892	\$ 2,880,892
Building	10,724,623	10,724,623
Equipment	491,466	477,200
Textbooks	<u>72,044</u>	<u>72,044</u>
Total Property, Equipment, and Textbooks	14,169,025	14,154,759
Accumulated depreciation and amortization	<u>(1,772,815)</u>	<u>(1,471,691)</u>
Net Property, Plant, Equipment, and Textbooks	<u><u>\$ 12,396,210</u></u>	<u><u>\$ 12,683,068</u></u>

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. BOND TRUST ACCOUNTS - RESTRICTED

The School had entered into a custody agreement with UMB Bank, N.A. as Custodian and Trustee for the holders of the Industrial Development Authority of the City of Phoenix, Arizona, Education Facility Bonds (KIPP Tech Valley Charter School Project) Series 2012. The reserve accounts represented funds held by UMB Bank, N.A. in the name of the School. Any funds remaining with the Custodian following all such transfers would have been transferred to the School in 2020 according to the original agreement. Deposits into the Expense Fee Fund commenced on January 1, 2014.

Bond trust accounts - restricted consist of the following:

	<u>2019</u>	<u>2018</u>
Expense Fund	\$ <u>1,000</u>	\$ <u>1,000</u>
Total	\$ <u><u>1,000</u></u>	\$ <u><u>1,000</u></u>

6. INTEREST RATE SWAP AGREEMENT

The School has entered into an interest rate swap agreement with Citizens Bank, with a trade date of September 15, 2016, to reduce the impact of changes in the interest rate on its floating interest rate mortgage payable. The agreement is effective on September 15, 2018 and terminates on September 15, 2036 with the option of early termination on September 15, 2026 and the 15th of each month thereafter until August 15, 2036. The agreement effectively stabilizes the School's interest rate exposure to a fixed rate of 1.62%. On December 13, 2018 another interest rate swap was agreed to when the School took out a construction loan with Citizen's Bank for a new building they were constructing during the 2018-2019 period, the terms are based on the previous swap taken out with the loan from 2016. The School documents its risk management strategy and hedge effectiveness at the inception of and during the term of the hedge. The School's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap agreements to convert variable rate debt to a fixed rate.

The School recognizes the cash flow hedge related to the interest rate swap agreement on the statement of financial position at fair value. The fair value of the interest rate swap is based on quotes from Citizens Bank. Fair value for the interest rate swap agreement (level 3) are derived from proprietary models of Citizens' Bank and is intended to represent the present value of expected cash flows from each transaction between the School and Citizens Bank. The School has recorded the swap at amounts of \$(473,403) and \$397,611 at June 30, 2019 and 2018, respectively, relating to the fair value of the swap agreement.

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

6. INTEREST RATE SWAP AGREEMENT (Continued)

The change in fair value of the interest rate swap agreement is reported on the statement of activities as a separate component of the change in net assets. The change in the fair value of the interest rate swap agreement is classified as an operating activity on the statement of cash flows.

7. LINE OF CREDIT

The line of credit consists of a Citizens Bank unsecured revolving line of credit for up to \$200,000 to support general working capital requirements through September 2019. Interest is at LIBOR +3% (5.37% at June 30, 2019). There was no outstanding balance on the line at June 30, 2019.

8. LONG-TERM DEBT

Long-term debt at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Citizens Bank mortgage payable, interest at 65% of LIBOR +3% (2.703% at June 30, 2017). Due 2036, with interest only for the first 24 months, amortized over 18 years. Secured by property and equipment.	\$ 11,686,002	\$ 12,000,000
Citizens Construction loan, for new building being constructed. Loan amount is for \$2,862,266. Interest is payable monthly at 2.9% annually. Principal of loan amortizes beginning December 31, 2020, loan maturity date is December 13, 2028. Secured by property and equipment.	2,006,047	-
Boston Community Loan Fund, Inc., refinanced a portion of the \$3,600,000 loan, subordinated note payable, interest at 4.25% for the term of the loan. Due 2024, with interest only for the first 24 months, amortized over 6 years with the remaining balance after being added back to the original loan. Secured by property and equipment.	1,847,077	1,900,000

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

8. LONG-TERM DEBT (Continued)

	<u>2019</u>	<u>2018</u>
Boston Community Loan Fund, Inc. subordinated note payable, interest at 6% for the first five years, reset based on five-year U.S. Treasury Yield Curve. Due 2026, with interest only for the first 24 months, amortized over 18 years. Secured by property and equipment.	1,661,185	1,700,000
Citizens Construction loan, for new building being constructed. Loan amount is for \$137,734 Interest is payable monthly at 2.9% annually. Principal of loan amortizes beginning December 31, 2020, loan maturity date is December 13, 2028. Secured by property and equipment.	112,801	-
	17,313,112	15,600,000
Current Portion of Long-Term Debt	559,504	406,362
Long-Term Portion	16,753,608	15,193,638
Less: Deferred financing costs	374,799	367,326
Long-Term Debt, Net of Deferred Financing Costs	<u><u>\$ 16,378,809</u></u>	<u><u>\$ 14,826,312</u></u>

For the years ended June 30, 2019 and 2018, amortization of the deferred financing costs included in interest expense was \$22,089 and \$20,176, respectively.

The following is a summary of maturing debt service requirements for the years ending June 30:

2020	\$ 559,504
2021	712,022
2022	828,923
2023	865,797
2024	885,544
Thereafter	<u>13,461,322</u>
Total	<u><u>\$ 17,313,112</u></u>

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

8. LONG-TERM DEBT (Continued)

Debt Covenants

The Citizens Bank mortgage payable loan agreement and the Boston Community Loan Fund, Inc. subordinated note payable loan agreement includes financial statement covenants to be maintained at the end of each fiscal year of the School, commencing with June 30, 2017, of a debt service coverage ratio not less than 1.20 to 1. For the fiscal year ending June 30, 2019, and as of the end of each subsequent fiscal year thereafter, a ratio not less than 1.50 to 1 is required. The debt service coverage ratio at each fiscal year-end will be determined on the basis of cash flow available for debt service for the fiscal year then ended and debt service for such fiscal year. This covenant was met for the year ended June 30, 2019.

The Citizens Bank mortgage payable loan agreement and the Boston Community Loan Fund, Inc. subordinated note payable loan agreement includes financial statement covenants for maintaining minimum liquidity as of June 30 and December 31 in each year commencing with December 31, 2016. The minimum liquidity requires the School to have unrestricted cash and investments with a fair market value of not less than \$350,000. The covenant was met at June 30, 2019 and December 31, 2018.

9. GRANTS

Grant support and revenue represents the portion of the grants utilized for operations. The School depends on grants for a portion of its support, and they consist of the following:

	2019	2018
	Grant	Grant
	Receipts	Receipts
	<u>Expended</u>	<u>Expended</u>
Federal Grants:		
Entitlement Grants	\$ 257,616	\$ 260,520
Child Nutrition	589,426	445,587
Federal Investing in Innovation Grant	68,271	433,144
New York State Department of Education:		
Child Nutrition	13,600	10,784
New York State Senate:		
Special Charter School Aid	-	202,285
Total Grant Support and Revenue	<u>\$ 928,913</u>	<u>\$ 1,352,320</u>

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

10. OPERATING LEASES

The School leases office equipment under non-cancelable operating leases that expire in 2022. The monthly lease payments are \$2,765.

Rent expense was \$33,134 and \$33,202 for the years ended June 30, 2019 and 2018, respectively. The minimum annual lease payments are as follows:

2020	\$	33,179
2021		33,179
2022		<u>5,077</u>
Total	\$	<u>71,435</u>

11. EMPLOYEE RETIREMENT PLAN

The School has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both the School and its employees. The related expense for the years ended June 30, 2019 and 2018 was \$212,593 and \$142,895, respectively.

12. CONCENTRATION OF RISK

The School maintains its cash accounts in one bank located in Albany, NY. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and at times during the years ended June 30, 2019 and 2018, the balances on deposit exceeded the FDIC limits. The School believes it is not exposed to any significant credit risk on its cash balances.

The School receives a substantial portion of its funding from school districts where the School's students reside. One school district constituted 72% and 79% of total dues revenue for the years ended June 30, 2019 and 2018, respectively. Receivable from this school district made up 22% and 41% of the total due from school districts as of June 30, 2019 and 2018.

13. BOARD DESIGNATED NET ASSETS

Board Designated net assets are related to cash funds set aside for reserves. These funds are shown as reserved cash on the statements of financial position.

14. SUBSEQUENT EVENTS

Subsequent to the June 30, 2019 year end and through October 23, 2019, the School drew an additional \$523,000 on their Construction loan in connection with the addition being built on the primary school.

SUPPLEMENTARY INFORMATION



**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
KIPP Tech Valley Charter School

Independent Auditors' Report

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 KIPP Tech Valley Charter School (the School), which comprise the statement of financial position as of June 30, 2019, the related statements of activities, the statements of functional expenditures, the statement of cash flows for the year then ended June 30, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated October 31, 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 opinions 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 KIPP Tech Valley Charter 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.

Paul Becker & Charamonte CPAs PC

Albany, New York
October 31, 2019



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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To The Board Of Trustees
KIPP Tech Valley Charter School

Independent Auditors' Report

Report on Compliance for Each Major Federal Program

We have audited KIPP Tech Valley Charter School's (the School) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2019. The School's major federal programs are 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 requirements of 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 for the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 programs. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, KIPP Tech Valley Charter 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 programs for the year ended June 30, 2019.

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 the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 and deficiencies in internal control over compliance that we consider to be material weakness. However, material weakness may exist that were not identified.

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

Paul Becker & Charamonte CPAs PC

Albany, New York
October 31, 2019

KIPP TECH VALLEY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

Program	Federal CFDA # Number	Grant/Contract Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass-through from New York State Education Department			
Non-Cash Assistance (food distribution)			
Commodity Supplemental Food Program	10.565	N/A	\$ 15,790
Non-Cash Assistance Subtotal			<u>15,790</u>
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	414,157
School Breakfast Program	10.553	N/A	<u>159,479</u>
Cash Assistance Subtotal			<u>573,636</u>
Total - Child Nutrition Cluster			<u>573,636</u>
Total - Department of Agriculture			<u>589,426</u>
<u>U.S. Department of Education</u>			
Pass-through from New York State Education Department			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	0021-17-4485	<u>219,137</u>
Supporting Effective Instruction State Grant	84.367	0147-17-4485	<u>25,513</u>
Title IV, Part A			
Title IV Grants to Student Support and Academic Enrichments	82.282	0204-19-4485	<u>12,966</u>
Pass-through from KIPP Foundation			
Program Grant for Replication and Expansion of High Quality Charter Schools	84-282M	U282M140013	<u>68,271</u>
Total - Department of Education			<u>325,887</u>
Total Federal Assistance			<u>\$ 915,313</u>

KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of KIPP Tech Valley Charter School (the School) under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred.

The amounts reported as federal expenditures in the Schedule represent expenditures of federal funds as obtained from the appropriate federal financial reports for the applicable program and periods. The non-federal share of expenditures, if any, is excluded from the Schedule.

3. NON-CASH ASSISTANCE

The School was the recipient of a federal award program that does not result in cash receipts or disbursements. The School was granted \$15,790 of commodities under the Commodity Supplemental Food Program (CFDA 10.565).

4. SUBRECIPIENTS

KIPP Tech Valley Charter School did not provide federal awards to subrecipients during the year ended June 30, 2019.

**KIPP TECH VALLEY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

IDENTIFICATION OF MAJOR PROGRAM:

CFDA Number	Name of Federal Program
10.555	Child Nutrition Program Cluster

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No



Teal, Becker & Chiaramonte™
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

October 31, 2019

To The Board Of Trustees
KIPP Tech Valley Charter School
1 Dudley Heights
Albany, NY 12210-2601

In connection with our audit of KIPP Tech Valley Charter School (the School) for the year ended June 30, 2019, we have the following comments, recommendations, and information regarding accounting and financial reporting standards and changes that will have an effect on the school.

Major Events

In the current and prior years there were changes to the debt balances that we were unaware of until after our audit fieldwork had begun. The changes were not made known to us until we requested the loan confirmations of the June 30, 2019 balances. There was also an unexpected additional interest rate swap account and significant changes to the interest rate swap balances in the current year. This was noted upon requesting the June interest rate swap statement. We recommend that if there are any major events or significant changes within any balances to please inform and provide us with the new information associated with the occurrence promptly. Doing this in a timely manner will ensure efficiency of our audit procedures and preparation of the financial statements.

Debt Costs, Current Portion of Debt and Debt Interest Accrual

In the current year, the closing costs associated with the new debt were not capitalized or amortized before our fieldwork began. We recommend that in the future, if there are costs associated with any new debt, that this be capitalized and amortization begin as of the date of the closing of the debt. We also recommend that the current portion of long-term debt be broken out according to the amortization schedules. We recommend that in addition to the above, the interest accrual for the period not yet paid, be adjusted. We recommend these adjustments be posted prior to the year end close and audit fieldwork.

Construction in Progress

In the current year we noted several items in the construction in progress account that were not related to the actual costs of the building construction. We recommend that prior to the June 30, 2020 year end that the construction in progress account be reviewed in detail to ensure that the costs to be capitalized match the final AIA contract.

Accounts Receivable Aging

In prior years, we noted during our review of the accounts receivable aging schedules that there were large balances in the over 90 days column. We are happy to report that the School's receivables over 90 days have improved by over 50% in the current year, while overall receivables are down by 44%. There are still significant balances in the receivables aging, therefore we recommend that the School continues to review and improve collection timeliness.

Credit Card Statement Approvals

In the previous year disbursement and single audit testing, we found that not all credit card purchases were being approved formally before payment of the credit card. We are happy to report that all tested credit card disbursements had proper approvals in the current year.

Residency Verification

During the prior years, with respect our residency testing, we noted that there were addresses on the final reconciliation that had no updated support by lease or utility bills in the student personnel files. In the current year, we are pleased to report that there were no issues with respect to residency verification with the students' files that were selected for testing.

This letter is intended solely for the information and use of the School's Board of Trustees and others within the School and is not intended to be, and should not be, used by anyone other than these specified parties.

We would be pleased to discuss the above comments and our recommendations, or to respond to any questions at your convenience.

Very truly yours,

TEAL, BECKER & CHIARAMONTE, CPAs, P.C.

Teal Becker & Chiaramonte CPAs PC