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MEMBERS OF:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:  
NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

October 16, 2018

To the Board of Trustees  
Henry Johnson Charter School

We have audited the financial statements of Henry Johnson Charter School for the year ended June 30, 2018, and have issued our report thereon dated October 16, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Henry Johnson Charter School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements for the year ended June 30, 2018.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, see Schedule 1.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 16, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

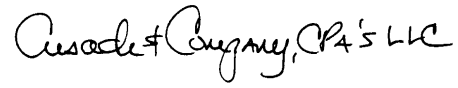
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Henry Johnson Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The script is cursive and fluid, with the company name and "CPA's LLC" clearly legible.

**CUSACK & COMPANY, CPA'S LLC**

## Henry Johnson Charter School

## Adjusting Journal Entries

July 1, 2017 - June 30, 2018

Date	Reference	Account	Description	WP Reference	Debit	Credit	Net Income Effect	Misstatement
Adjusting Journal Entries								
07/01/17	AJE01		ADJUST RE TO ACTUAL	S-1			(2,655.00)	
		5102	Office Supplies/Stationary		2,655.00			
		3900	Retained Earnings			2,655.00		
06/30/18	AJE02		ADJUST PREPAID/MORTGAGE	M-1			464.09	
		2018	Accrued Expenses		28,648.74			
		2030	Current Portion LTD		8,497.42			
		1430	Prepaid Expense			36,682.07		
		5401	Interest Expense - LISC			464.09		
06/30/18	AJE03		RECORD AMORTIZATION	K-1			(3,821.05)	
		5677	Amortization Expense		3,821.05			
		1595	Accumulated Amortization			3,821.05		
09/19/18	AJE04		ADJUST DEPRECIATION	H-1			6,950.06	
		1511	Accumulated Depreciation Furn/Fix PPE		6,950.06			
		5676	Depreciation Expense 30 Watervliet		128.21			
		5675	Depreciation Expense			7,078.27		
Totals for Adjusting Journal Entries					<u>50,700.48</u>	<u>50,700.48</u>	<u>938.10</u>	
Reclassifying Journal Entries								
06/30/18	RJE01		RECLASS: NURSING SALARIES				0.00	
		5023	Nursing Services		55,931.00			
		6100	Administration Salaries			55,931.00		
Totals for Reclassifying Journal Entries					<u>55,931.00</u>	<u>55,931.00</u>	<u>0.00</u>	
Potential Journal Entries								
06/30/18	PJE01		POTENTIAL: TITLE II	C-1.3			(41,584.00)	
		4102	Title II A Grant Income		41,584.00			
		1201	Grants Receivable			41,584.00		
Totals for Potential Journal Entries					<u>41,584.00</u>	<u>41,584.00</u>	<u>(41,584.00)</u>	
Report Totals					<u>148,215.48</u>	<u>148,215.48</u>	<u>(40,645.90)</u>	

Journal Entry count = 6



***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***JUNE 30, 2018 AND 2017***

**HENRY JOHNSON CHARTER SCHOOL**

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**JUNE 30, 2018 AND 2017**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Henry Johnson Charter School  
Albany, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of Henry Johnson Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Henry Johnson Charter School as of June 30, 2018 and 2017, 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.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 13-14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
October 16, 2018



**HENRY JOHNSON CHARTER SCHOOL***STATEMENTS OF FINANCIAL POSITION**JUNE 30, 2018 AND 2017*

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**ASSETS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
Current Assets		
Cash	\$ 2,658,636	\$ 2,735,911
Grants and Contracts Receivable	378,451	566,572
Prepaid Expenses	<u>65,100</u>	<u>12,086</u>
Total Current Assets	<u>3,102,187</u>	<u>3,314,569</u>
Other Assets		
Property and Equipment - Net	6,991,185	7,216,401
Cash - Designated	<u>275,027</u>	<u>275,024</u>
Total Other Assets	<u>7,266,212</u>	<u>7,491,425</u>
Total Assets	<u><u>\$ 10,368,399</u></u>	<u><u>\$ 10,805,994</u></u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Current Portion of Long-Term Debt	\$ 91,473	\$ 94,167
Accounts Payable and Accrued Expenses	54,551	165,190
Accrued Payroll and Benefits	307,798	379,891
Compensated Absences	44,262	56,756
Deferred Income	<u>-</u>	<u>4,984</u>
Total Current Liabilities	498,084	700,988
Long-Term Liabilities		
Long-Term Debt, Net of Current Portion	<u>5,519,723</u>	<u>5,615,857</u>
Total Liabilities	<u>6,017,807</u>	<u>6,316,845</u>
Net Assets		
Unrestricted		
Undesignated	4,075,565	4,214,125
Designated	<u>275,027</u>	<u>275,024</u>
Total Unrestricted Net Assets	<u>4,350,592</u>	<u>4,489,149</u>
Total Liabilities and Net Assets	<u><u>\$ 10,368,399</u></u>	<u><u>\$ 10,805,994</u></u>

**HENRY JOHNSON CHARTER SCHOOL**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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	<u><b>2018</b></u>	<u><b>2017</b></u>
Revenue		
Public School District		
Resident Student Enrollment	\$ 4,981,586	\$ 5,404,568
Students with Disabilities	31,642	42,301
Grants and Contracts		
Federal Grants	224,320	273,329
Food Service/Children Nutrition Program	301,033	326,888
State and Local Grants	<u>9,090</u>	<u>164,185</u>
Total Revenue	<u>5,547,671</u>	<u>6,211,271</u>
Expenses		
Program Services		
Regular Education	3,915,375	3,961,669
Special Education	233,084	187,517
Other Programs	<u>557,252</u>	<u>554,520</u>
Total Program Services	4,705,711	4,703,706
Management and General	<u>1,015,739</u>	<u>913,223</u>
Total Operating Expenses	<u>5,721,450</u>	<u>5,616,929</u>
Surplus (Deficit) from School Operations	<u>(173,779)</u>	<u>594,342</u>
Other Revenue		
Fundraising	-	1,119
E-Rate Income	9,142	15,714
Interest Income	3	3
Miscellaneous Income	<u>26,077</u>	<u>23,813</u>
Total Other Revenue	<u>35,222</u>	<u>40,649</u>
Change in Net Assets	(138,557)	634,991
Net Assets, Beginning of Year	<u>4,489,149</u>	<u>3,854,158</u>
Net Assets, End of Year	<u><u>\$ 4,350,592</u></u>	<u><u>\$ 4,489,149</u></u>

**HENRY JOHNSON CHARTER SCHOOL**  
*STATEMENTS OF CASH FLOWS*  
*FOR THE YEARS ENDED JUNE 30, 2018 AND 2017*

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	<u><b>2018</b></u>	<u><b>2017</b></u>
Cash Flows Provided by (Used in) Operating Activities		
Change in Net Assets	\$ (138,557)	\$ 634,991
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Amortization of Debt Issuance Costs	3,821	3,821
Depreciation	243,048	247,121
Bad Debt Expense	6,596	-
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assets:		
Grants and Contracts Receivable	181,525	(386,544)
Prepaid Expenses	(53,014)	4,001
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(110,639)	102,158
Accrued Payroll and Benefits	(72,093)	7,509
Compensated Absences	(12,494)	9,769
Deferred Income	<u>(4,984)</u>	<u>4,984</u>
Net Cash Provided by Operating Activities	<u>43,209</u>	<u>627,810</u>
Cash Flows Used In Financing Activities		
Repayments of Long-Term Debt	<u>(102,649)</u>	<u>(81,085)</u>
Cash Flows Used In Investing Activities		
Purchase of Property and Equipment	<u>(17,832)</u>	<u>(62,386)</u>
Net Increase (Decrease) in Cash	(77,272)	484,339
Cash, Beginning of Year	<u>3,010,935</u>	<u>2,526,596</u>
Cash, End of Year	<u><u>\$ 2,933,663</u></u>	<u><u>\$ 3,010,935</u></u>
Other Disclosures -		
Cash Paid for Interest Expense	<u><u>\$ 345,570</u></u>	<u><u>\$ 347,246</u></u>

**1. ORGANIZATION AND PURPOSE**

*Organization*

Henry Johnson Charter School (the “School”) is a New York not-for-profit organization that works to ensure all students reach the highest levels of scholastic achievement in an environment that instills character, virtue and “habits of mind” that ensure success both within and outside the classroom: diligence, courage, respect, self-reliance, duty and responsibility.

A provisional charter, valid for five years, was granted to the School by the University of the State of New York pursuant to Article 56 of the Education Law of the State of New York. The School began providing educational services in the fall of 2007 for K-1 grades. The provisional charter allowed for an additional grade to be added in each subsequent year until the School reached grades K-4. The School’s charter renewal has been granted through June 30, 2020. As of June 30, 2018, the School had an enrollment of 344 students in K to 4<sup>th</sup> grades.

The School is governed by a Board of Trustees in accordance with the School’s by-laws. The School partners with Albany Charter School Network which provides academic and operational assistance to area charter schools.

**2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION**

The following summarizes the significant accounting policies consistently applied in the preparation of the School’s financial statements, with references to the Accounting Standards Codification (ASC) where applicable.

*Basis of Accounting*

The accompanying financial statements have been prepared in accordance with the ASC “Financial Statements of Not-for-Profit Organizations” utilizing the accrual basis of accounting. This basis of accounting is in accordance with accounting principles generally accepted in the United States of America.

*Support and Revenue*

Grants and pledges received are measured at their fair values and reported as an increase in net assets. The School reports grants and pledges as restricted support when a portion of their value is assigned to a long-term future use; long-term meaning in excess of one year for the purpose of these financial statements.

**2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

*Support and Revenue (Continued)*

The School reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

*Revenue Recognition*

A substantial portion of the School's revenue and related receivables is derived from its billings to Albany City School District. State law requires the District to reimburse the School on a per capita basis. These revenues are recognized ratably over the related school year during which they are earned.

Revenue from other governmental sources generally represents entitlements grants and is recognized as earned as allowable expenditures are incurred. Costs are subject to audit and changes, if any, are recognized in the year known.

*Donated Services*

A number of unpaid volunteers have made contributions of their time. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation and it does not meet the reporting requirements of the accounting standards.

*Grants, Contracts and Accounts Receivable*

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than 90 days. Management considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

**2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

*Property, Equipment and Depreciation*

Acquisitions of property and equipment in excess of \$1,000 (individually) or \$2,500 aggregated, are capitalized and recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs not improving or extending the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets (ranging from 3 to 39 years) and is computed using the straight-line method.

*Conditional and Unconditional Promises to Give*

At June 30, 2018 and 2017, the School had not received any conditional or unconditional promises to give.

*Functional Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs benefitted. Salaries are allocated based on estimates of total time spent, while other expenses are allocated based on estimates of the resources used.

*Estimates*

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

*Fair Value*

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an “exit” price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

*Income Taxes*

The School is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code, and the School is exempt from state income tax. The School has been classified as a publicly-supported organization that is not a private foundation under §509(a) of the Code.

**2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

*Accounting for Uncertainty in Income Taxes*

The Accounting Standards Codification requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. The School has not recognized any benefits from uncertain tax positions in 2018 and believes it has no uncertain tax positions for which it is reasonably possible that will significantly increase or decrease net assets within 12 months of the balance sheet date. Generally, federal and state authorities may examine the School's tax-exempt returns for three years from the date of filing; consequently, income tax returns for years prior to 2015 are no longer subject to examination by taxing authorities.

*Advertising Costs*

The School expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2018 and 2017 were \$11,434 and \$12,835, respectively.

*Subsequent Events*

The School follows the ASC, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the due date of the financial statements but before the financial statements are issued or are available to be issued. In the preparation of these financial statements and notes thereto, management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 16, 2018, the date the financial statements were available to be issued. No such events or transactions were identified.

**3. DESIGNATED CASH**

The School has internally designated cash in the amount of \$275,027 and \$275,024 as of June 30, 2018 and 2017, respectively. The intended purpose of this reserve is to provide for unforeseen operating costs within the next operating cycle.

**4. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE**

At June 30, 2018 and 2017, grants, contracts and accounts receivable were comprised of the following:

	<u><b>2018</b></u>	<u><b>2017</b></u>
School District Tuition	\$ 168,858	\$ 249,087
U.S. Department of Agriculture	25,844	72,551
Grants Receivable	183,749	83,130
Per Pupil Supplement	-	161,804
	<u><u>\$ 378,451</u></u>	<u><u>\$ 566,572</u></u>

**5. PROPERTY AND EQUIPMENT - NET**

Property and equipment - net are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2018 and 2017:

	<u><b>2018</b></u>	<u><b>2017</b></u>
Buildings	\$ 6,983,442	\$ 6,983,442
Building Improvements	16,880	16,880
Computer Software	17,558	17,558
Land	483,000	483,000
Land Improvements	15,683	15,683
Equipment	330,648	321,228
Furniture and Fixtures	<u>232,219</u>	<u>223,807</u>
Total at Cost	8,079,430	8,061,598
Less: Accumulated Depreciation	<u>(1,088,245)</u>	<u>(845,197)</u>
	<u><u>\$ 6,991,185</u></u>	<u><u>\$ 7,216,401</u></u>

Depreciation expense was \$243,048 and \$247,121 the years ended June 30, 2018 and 2017, respectively.



**6. LONG-TERM DEBT**

Long-term debt is comprised of the following at June 30, 2018 and 2017:

	<u><b>2018</b></u>	<u><b>2017</b></u>
Mortgage loan payable to Local Initiatives Support Corporation, in monthly payments of \$36,659, including interest at 6%, maturing in September, 2043, collateralized by the building.	\$ 5,706,722	\$ 5,809,371
Less: unamortized debt issuance costs, net	(95,526)	(99,347)
Less: current portion	<u>(91,473)</u>	<u>(94,167)</u>
Long-term debt, net of current position and unamortized debt issuance costs	<u><u>\$ 5,519,723</u></u>	<u><u>\$ 5,615,857</u></u>

The School is required to maintain debt covenants by the lender of the loan payable. As of June 30, 2017 (most recent information available), the School was in compliance with all applicable covenants.

Unamortized debt issuance costs as of June 30, 2018 and 2017 consist of the following:

	<u><b>2018</b></u>	<u><b>2017</b></u>
Transaction and Financing Costs - Twenty-Eight Year Amortization	\$ 108,900	\$ 108,900
Less: Accumulated Amortization	<u>(13,374)</u>	<u>(9,553)</u>
Unamortized Debt Issuance Costs, Net	<u><u>\$ 95,526</u></u>	<u><u>\$ 99,347</u></u>

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

2019	\$ 91,473
2020	105,216
2021	112,631
2022	119,578
2023	126,953
Thereafter	<u>5,150,871</u>
	<u><u>\$ 5,706,722</u></u>

**7. RETIREMENT PLAN**

The School has adopted a SIMPLE IRA retirement plan that all employees are eligible to participate in. The School contributes a matching contribution of up to 3% of the employee's gross compensation to any employee who contributes to the plan. The School's retirement plan expense for the years ended June 30, 2018 and 2017 was \$53,134 and \$47,289, respectively.

**8. CONCENTRATION OF RISK**

The School receives a substantial portion of its funding from school districts where students reside. Three school districts comprised approximately 82% and 81% of total revenue and support for the years ended June 30, 2018 and 2017, respectively. No other funding source accounted for more than 10% of total revenue and support.

The School does occasionally maintain deposits in excess of federal insured limits. The ASC identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

## **SUPPLEMENTARY INFORMATION**

**HENRY JOHNSON CHARTER SCHOOL***SCHEDULE OF FUNCTIONAL EXPENSES**FOR THE YEAR ENDED JUNE 30, 2018*

	<u>Program Services</u>				<u>Supporting Services</u>	
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Personnel	\$ 141,502	\$ -	\$ -	\$ 141,502	\$ 566,007	\$ 707,509
Instructional Personnel	2,074,656	104,115	-	2,178,771	-	2,178,771
Non-Instructional Personnel	-	-	166,892	166,892	55,931	222,823
Total Salaries	2,216,158	104,115	166,892	2,487,165	621,938	3,109,103
Fringe Benefits and Payroll Taxes	560,364	26,326	-	586,690	143,117	729,807
Retirement	40,798	1,917	-	42,715	10,420	53,135
Legal Services	1,017	48	-	1,065	260	1,325
Accounting and Audit Services	17,929	842	-	18,771	4,579	23,350
Other Purchased, Professional and Consulting Services	86,942	53,225	-	140,167	34,192	174,359
Repairs and Maintenance	163,214	7,668	13,643	184,525	28,042	212,567
Insurance	36,463	1,713	3,048	41,224	6,265	47,489
Utilities	39,884	1,874	3,334	45,092	6,853	51,945
Supplies and Materials	74,164	3,484	-	77,648	28,974	106,622
Staff Development	25,961	1,220	-	27,181	-	27,181
Marketing and Recruitment	8,779	412	-	9,191	2,242	11,433
Technology	19,410	912	-	20,322	4,957	25,279
Food Service	-	-	169,648	169,648	-	169,648
Student Services	126,931	5,963	197,561	330,455	-	330,455
Office Expense	37,407	1,757	3,126	42,290	6,429	48,719
Depreciation and Other	186,618	8,767	-	195,385	47,662	243,047
Interest Expense	268,271	12,603	-	280,874	68,516	349,390
Miscellaneous	5,065	238	-	5,303	1,293	6,596
Total Expenses	<u>\$3,915,375</u>	<u>\$ 233,084</u>	<u>\$ 557,252</u>	<u>\$ 4,705,711</u>	<u>\$1,015,739</u>	<u>\$ 5,721,450</u>

**HENRY JOHNSON CHARTER SCHOOL***SCHEDULE OF FUNCTIONAL EXPENSES**FOR THE YEAR ENDED JUNE 30, 2017*

	<b>Program Services</b>				<b>Supporting Services</b>	
	<b><u>Regular Education</u></b>	<b><u>Special Education</u></b>	<b><u>Other Education</u></b>	<b><u>Total</u></b>	<b><u>Management and General</u></b>	<b><u>Total</u></b>
Administrative Personnel	\$ 125,097	\$ -	\$ -	\$ 125,097	\$ 500,387	\$ 625,484
Instructional Personnel	2,078,056	76,676	-	2,154,732	-	2,154,732
Non-Instructional Personnel	-	-	132,519	132,519	27,934	160,453
Total Salaries	2,203,153	76,676	132,519	2,412,348	528,321	2,940,669
Fringe Benefits and Payroll Taxes	533,301	18,560	-	551,861	121,125	672,986
Retirement	37,474	1,304	-	38,778	8,511	47,289
Legal Services	4,384	153	-	4,537	996	5,533
Accounting and Audit Services	27,573	960	-	28,533	6,262	34,795
Other Purchased, Professional and Consulting Services	98,293	53,061	-	151,354	33,220	184,574
Repairs and Maintenance	183,890	6,400	16,344	206,634	25,422	232,056
Insurance	38,813	1,351	3,450	43,614	5,366	48,980
Utilities	37,070	1,290	3,295	41,655	5,125	46,780
Supplies and Materials	58,694	2,043	-	60,737	47,007	107,744
Equipment and Furnishings	5,558	193	-	5,751	1,262	7,013
Staff Development	47,727	1,661	-	49,388	-	49,388
Marketing and Recruitment	10,171	354	-	10,525	2,310	12,835
Technology	29,706	1,034	-	30,740	6,747	37,487
Food Service	-	-	191,558	191,558	-	191,558
Student Services	96,119	3,345	204,044	303,508	-	303,508
Office Expense	37,250	1,296	3,310	41,856	5,150	47,006
Depreciation and Other	234,294	8,154	-	242,448	53,213	295,661
Interest Expense	278,199	9,682	-	287,881	63,186	351,067
Total Expenses	<u>\$ 3,961,669</u>	<u>\$ 187,517</u>	<u>\$ 554,520</u>	<u>\$ 4,703,706</u>	<u>\$ 913,223</u>	<u>\$ 5,616,929</u>

## **OTHER INFORMATION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
Henry Johnson Charter School  
Albany, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Henry Johnson Charter School (the "School"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 16, 2018.

**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 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.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
October 16, 2018