

Hyde Leadership Charter School

**Audit of Financial Statements and
Supplementary Schedule of Expenditures
of Federal Awards**

Year Ended June 30, 2018

Hyde Leadership Charter School

Audit of Financial Statements and Supplemental Schedule of
Expenditures of Federal Awards
Year Ended June 30, 2018

Hyde Leadership Charter School

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Independent Auditor's Report

To the Board of Trustees
Hyde Leadership Charter School
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Hyde Leadership Charter School (the School), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Hyde Leadership Charter School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Hyde Leadership Charter School as of and for the year ended June 30, 2017, and our report dated October 27, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards 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 30, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

BDO USA, LLP

October 30, 2018

Hyde Leadership Charter School

Statement of Financial Position (with comparative totals for 2017)

<i>June 30,</i>	2018	2017
Assets		
Cash and cash equivalents (Note 2)	\$ 2,341,310	\$ 3,966,817
Investments (Note 2 and 4)	1,492,140	2,022,784
Grants, contracts and other receivables (Note 2)	1,219,684	1,172,802
Prepaid expenses and other assets (Note 4)	269,518	616,721
Total Current Assets	5,322,652	7,779,124
Assets limited, as to use (Note 2)	3,000,000	-
Fixed assets, net (Notes 3 and 5)	11,205,203	645,388
Total Assets, Net	\$ 19,527,855	\$ 8,424,512
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 250,585	\$ 257,095
Accrued payroll and payroll taxes	909,071	995,912
Current portion bonds payable (Note 5)	425,000	-
Deferred rent payable (Note 8)	-	4,123,722
Total Current Liabilities	1,584,656	5,376,729
Bond payable, less current portion, net of deferred financing cost (Note 5)	14,089,324	-
Total Liabilities	15,673,980	5,376,729
Commitments and Contingencies (Notes 5, 7, 8 and 9)		
Net Assets (Note 2)		
Unrestricted - operating	3,741,375	3,047,783
Unrestricted - Board-designated	112,500	-
Total Unrestricted	3,853,875	3,047,783
Total Liabilities and Net Assets	\$ 19,527,855	\$ 8,424,512

See accompanying notes to financial statements.

Hyde Leadership Charter School

Statement of Activities (with comparative totals for 2017)

<i>Year ended June 30,</i>	2018	2017
	(Unrestricted)	
Operating Revenue (Notes 2 and 5)		
State and local per pupil operating revenue	\$ 17,513,972	\$ 16,628,970
Government grants	1,013,260	880,429
Total Operating Revenue	18,527,232	17,509,399
Operating Expenses		
Program services:		
General education	14,282,591	14,233,934
Special education	2,188,460	1,983,438
Total Program Services	16,471,051	16,217,372
Management and general	1,763,657	1,719,121
Development	158,681	181,172
Total Operating Expenses	18,393,389	18,117,665
Net Income (Loss) From School Operations	133,843	(608,266)
Support and Other Revenue		
Contributions	433,590	298,925
Other income	5,649	50,342
Interest income	31,948	46,491
In-kind revenue	29,065	11,745
Total Support and Other Revenue	500,252	407,503
Change in Net Assets Before Gain on Swap Agreement	634,095	(200,763)
Gain on Swap Agreement	171,997	-
Change in Net Assets	806,092	(200,763)
Net Assets, beginning of year	3,047,783	3,248,546
Net Assets, end of year	\$ 3,853,875	\$ 3,047,783

See accompanying notes to financial statements.

Hyde Leadership Charter School

Statement of Functional Expenses (with comparative totals for 2017)

Year ended June 30,

	No. of Positions	Program Services			Supporting Services			2018 Total	2017 Total
		General Education	Special Education	Total	Management and General	Development	Total Supporting Services		
Personnel costs:									
Administrative staff personnel	15	\$ -	\$ -	\$ -	\$ 1,194,225	\$ 94,283	\$ 1,288,508	\$ 1,288,508	\$ 1,027,046
Instructional personnel	102	9,001,230	1,572,718	10,573,948	-	-	-	10,573,948	9,794,711
Total Personnel Costs		9,001,230	1,572,718	10,573,948	1,194,225	94,283	1,288,508	11,862,456	10,821,757
Payroll taxes and employee benefits		1,869,615	338,749	2,208,364	177,721	21,183	198,904	2,407,268	2,433,130
Instructional supplies and equipment		470,119	4,967	475,086	2,234	422	2,656	477,742	280,761
Professional fees and dues		64,680	17,102	81,782	76,875	4,720	81,595	163,377	394,439
Instructional support		208,549	806	209,355	7,338	10,318	17,656	227,011	447,538
Professional development		286,879	8,200	295,079	9,988	7,130	17,118	312,197	256,660
Childcare		1,199	-	1,199	-	-	-	1,199	2,373
Business insurance		55,094	7,449	62,543	41,419	444	41,863	104,406	61,659
Telephone		72,534	7,973	80,507	13,870	1,383	15,253	95,760	97,039
Repairs and maintenance		137,953	-	137,953	1,233	-	1,233	139,186	131,588
Food services		45,559	-	45,559	-	-	-	45,559	57,766
Management fee (Note 8)		46,344	5,748	52,092	7,548	360	7,908	60,000	60,000
Printing and postage		46,915	4,854	51,769	10,995	5,319	16,314	68,083	58,250
Bank and payroll charges		143,010	24,746	167,756	28,587	2,382	30,969	198,725	183,973
Retreats, conferences and transportation		215,967	5,075	221,042	17,466	4,030	21,496	242,538	109,075
Marketing and recruitment		21,579	198	21,777	73,260	99	73,359	95,136	124,115
Technology supplies and services - non-classroom		33,317	1,929	35,246	48,114	408	48,522	83,768	62,698
Noncapitalized office furniture		3,956	-	3,956	1,135	-	1,135	5,091	8,787
Other administrative support		52,133	36	52,169	37,937	5,117	43,054	95,223	10,080
Office supplies		34,052	1,105	35,157	8,521	1,081	9,602	44,759	36,425
Rent (Notes 7 and 8)		716,564	132,496	849,060	-	-	-	849,060	1,863,676
Other occupancy costs		93,581	7,511	101,092	-	-	-	101,092	187,898
Depreciation		440,533	-	440,533	-	-	-	440,533	403,908
Miscellaneous expenses		4,652	46,798	51,450	5,191	2	5,193	56,643	24,070
Interest expense		216,577	-	216,577	-	-	-	216,577	-
Total Expenses		\$ 14,282,591	\$ 2,188,460	\$ 16,471,051	\$ 1,763,657	\$ 158,681	\$ 1,922,338	\$ 18,393,389	\$ 18,117,665

See accompanying notes to financial statements.

Hyde Leadership Charter School

Statement of Cash Flows (with comparative totals for 2017)

<i>Year ended June 30,</i>	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 806,092	\$ (200,763)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	440,533	403,908
Interest expense	12,041	-
Changes in operating assets and liabilities:		
(Increase) decrease in grants, contracts and other receivables	(46,882)	(230,636)
(Increase) decrease in prepaid expenses and other assets	175,206	(4,530)
Gain on swap agreement	171,997	-
Increase (decrease) in accounts payable and accrued expenses	(6,511)	130,968
Increase (Decrease) in accrued payroll and payroll taxes	(86,841)	134,897
Increase (Decrease) in deferred rent payable	(4,123,722)	617,737
Net Cash Provided By Operating Activities	(2,658,087)	851,581
Cash Flows from Investing Activities		
Purchases of fixed assets	(11,000,348)	(433,364)
Purchases of certificate of deposit	(15,309)	(12,796)
Assets limited, as to use	(3,000,000)	-
Redemptions of certificate of deposits	545,953	1,780,325
Net Cash from Investing Activities	(13,469,704)	1,334,165
Cash Flows from Financing Activities		
Proceeds from bonds payable	15,250,000	-
Principal payments of bonds payable	(192,000)	-
Payments of debt issuance costs	(555,716)	-
Net Cash from Financing Activities	14,502,284	-
Net (Decrease) Increase in Cash and Cash Equivalents	(1,625,507)	2,185,746
Cash and Cash Equivalents, beginning of year	3,966,817	1,781,071
Cash and Cash Equivalents, end of year	\$ 2,341,310	\$ 3,966,817
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 204,537	\$ -

See accompanying notes to financial statements.

Hyde Leadership Charter School

Notes to Financial Statements

1. Description of School

Hyde Leadership Charter School (the School) is a New York State not-for-profit educational corporation that commenced operations as a charter school in the borough of the Bronx, New York City in July 2006. On January 10, 2006, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The School's latest charter was renewed on March 12, 2018 and is effective until June 30, 2023. The School operates classes for students in kindergarten through grade 12.

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

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position, and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

As of June 30, 2018, the School had no temporarily restricted or permanently restricted net assets.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Board Designated - Net assets consisting of cash and cash equivalents that are designated for general operating reserve purposes by the Board of Trustees of the School and appear on the statement of financial position as part of unrestricted net assets.

Hyde Leadership Charter School

Notes to Financial Statements

Cash and Cash Equivalents

The School considers highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. The School has not experienced any losses on these accounts. Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur. The School maintains a separate account with a minimum balance requirement of \$75,000, which is included in cash and cash equivalents.

Receivables

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. At June 30, 2018, management determined that there was no allowance to be recorded. Pledges receivable due after one year are discounted to net present value using the risk-adjusted interest rate in effect on the date of the gifts. All of the School's grant, contract and other receivables are expected to be collected within one year.

Assets Limited as to Use

Assets whose use is limited by terms of debt indentures, agreements, or other similar arrangements for future payout are reported under assets limited as to use in the accompanying statement of financial position. The School is required to maintain a minimum unrestricted liquidity of \$3,000,000 to be tested each June 30 and December 31 as part of its covenant in relation to the bonds financing.

Fixed Assets

Property and equipment are recorded at cost. Additions and improvements or betterments in excess of \$500 with an estimated useful life of three or more years are capitalized. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment acquired with certain government contract funds are recorded as expenses pursuant to the terms of the contract. The estimated useful lives of the assets are as follows:

Building and improvements	8-40 years
Computers and software	3 years
Furniture and equipment	5 years
Instructional assets	3-5 years

Asset Impairment

The School reviews long-lived assets, including equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2018, there was no such loss.

Hyde Leadership Charter School

Notes to Financial Statements

Fair Value Measurements

Professional standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the School would use in pricing the School's asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the School are traded. The School estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuations are based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations are based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 - Valuations are based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

All of the School's investment assets at June 30, 2018 are in certificates of deposit and are classified as Level 1. Each of these investments can be liquidated daily. The valuation is based on Level 1 inputs within the hierarchy used in measuring fair value. Investments are stated at their fair values in the statement of financial position. At June 30, 2018, cost approximates fair value.

Deferring Financing Fees

Deferred financing fees represent costs incurred to obtain financing. These costs have been capitalized and are amortized as interest expense by the straight-line method, which approximates the effective interest method, over the term of the related debt is outstanding.

Deferred financing fees are presented as a direct reduction from the carrying amount of the related debt liability.

Revenue Recognition

Revenue from state and local governments resulting from the School's charter status is based on the number of students enrolled, and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts is recognized by the School when qualifying expenditures are incurred and billable to the government or when required services have been provided.

Hyde Leadership Charter School

Notes to Financial Statements

The School recognizes as income donated services that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if they had not been contributed.

The School recognizes gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The School reports amounts received with donor stipulations that limit the use of the assets for certain purposes as unrestricted net assets if the stipulated purpose restriction is accomplished in the same year. Contributions of assets other than cash are recorded at their estimated fair value.

A number of volunteers have made a contribution of their time to the School to develop its academic programs and to serve on the School's Board of Trustees. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition.

Functional Allocation of Expenses

Expenses are classified according to the functional categories for which they are incurred, as follows:

Program Services - represents expenses directly associated with general education and special education for certain students requiring additional attention and guidance.

Development - represents expenses directly associated with the School's effort to raise funds to support the operations of the School.

Management and General - represents expenses related to the overall administration and operation of the School that are not associated with any program services or development.

Income Taxes

The School is incorporated under a charter granted by the Board of Regents on behalf of the New York State Education Department and is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC) and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2018.

Under Accounting Standards Codification (ASC) 740, "Income Taxes," an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the School has filed Internal Revenue Service (IRS) Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2018, there was no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by a taxing authority. As of June 30, 2018, the School was not subject to any

Hyde Leadership Charter School

Notes to Financial Statements

examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to June 30, 2015.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reported period. Actual results could differ from those estimates.

Concentration of Credit Risk

The School maintains cash and cash equivalent balances in bank deposit accounts, which may exceed federally-insured limits. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent accounts.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Recently Adopted Authoritative Guidance

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs," which resulted in the reclassification of debt issuance costs from other assets to inclusion as a reportable long-term debt balance on the balance sheets. The standard also calls for the amortization of debt issuance costs to now be reported as interest expense in the financial statements. The standard is effective for all non-public business entities for fiscal years beginning after December 15, 2015. The School has adopted and applied the standard in 2018.

Recent Accounting Pronouncements Issued But Not Yet Adopted

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 impacts all not-for-profit entities in the scope of Topic 958, as well as health care entities subject to the nonprofit guidance in Topic 954. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors and other users. The ASU becomes effective for fiscal years beginning after December 15, 2017. The School is currently evaluating the impact of the adoption of ASU 2016-14.

Hyde Leadership Charter School

Notes to Financial Statements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance 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. The FASB issued ASU 2015-14 which deferred the effective date for the School until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The School is currently evaluating the impact of the pending adoption of ASU 2014-09.

Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize a lease liability (a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis) and a right-of-use asset (an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term). The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019, and the School was currently evaluating the impact of the pending adoption of ASU 2016-02.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation.

3. Fixed Assets, Net

The School's classes of fixed assets, net consist of the following:

June 30, 2018

Land	\$	1,750,000
Building		9,110,280
Building improvements		268,497
Furniture and equipment		419,726
Computers and software		1,280,405
Office equipment		399,961
Instructional assets		397,316
		13,626,185
Less: accumulated depreciation and amortization		(2,420,982)
Fixed Assets, Net	\$	11,205,203

For the year ended June 30, 2018, depreciation expense was \$440,533.

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Notes to Financial Statements

4. Investments at Fair Value

The following table shows, by level within the fair value hierarchy, the School's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2018. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The School's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the asset or liability's placement within the fair value hierarchy levels.

	Fair Value Measurement at Report Date Using			Balance as of June 30, 2018
	(Level 1)	(Level 2)	(Level 3)	
Assets				
Certificates of deposit	\$ 1,492,140	\$ -	\$ -	\$ 1,492,140
Total	\$ 1,492,140	\$ -	\$ -	\$ 1,492,140

The School has investments in certificates of deposit with original maturities of greater than three months from the date of purchase, which the School considers to be short-term investments. The certificates of deposit represent interest-bearing cash accounts and are categorized as Level 1 of the fair value hierarchy. At June 30, 2018, investment income was \$31,948.

As discussed in Note 5, in connection with the issuance of Series 2017 Bond and in order to manage exposure to interest rate fluctuations, the School entered into an interest rate swap agreement. The fair value of the interest rate swap is estimated using Level 2 inputs, which are based on a model-derived valuation in which all significant inputs and significant value drivers are observable in active markets. The School considers the counterparty credit risk and bilateral or "own" credit risk adjustments in estimating fair value in accordance with ASC 820. At June 30, 2018, the fair value of the interest rate swap was an asset of \$171,997 and is presented as part of prepaid expenses and other assets.

5. Bonds Payable

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

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Notes to Financial Statements

Future minimum debt service payments are as follows:

Year ended June 30,

2019	\$ 425,000
2020	435,000
2021	451,000
2022	466,000
2023	479,000
Thereafter	12,802,000
Total	15,058,000
Less: current portion	(425,000)
Less: financing costs	(543,676)
	\$ 14,514,324

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

6. Revenue Concentrations

The School receives substantially all of its support and revenue from the New York City Department of Education. If the charter of the School was modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

7. Agreement for School Facility

The School operates under a Facility Shared Use Agreement (the Agreement) with the New York City Department of Education for dedicated and shared space at 730 Bryant Avenue, Bronx, New York. The Agreement commenced on July 1, 2006 at a cost of \$1. The School is not responsible for rent, utilities, custodial services, maintenance, and school safety services. The value of space and related utilities and services cannot be established, therefore, is not recorded in the financial statements. The School is responsible for any overtime-related costs for services provided beyond the regular operating hours.

8. Commitments and Contingencies

Lease Commitments

The School previously entered into a 35-year lease in August 2011. The lease required a security deposit of \$500,000, which was included in prepaid expenses and other assets for June 30, 2017 on the statement of financial position. At December 15, 2017, the School acquired the high school facility using proceeds from its bond financing. At June 30, 2018, rent expense amounted to \$849,060, which covers the period from July 1, 2017 to the date of the purchase of the high school facility.

Hyde Leadership Charter School

Notes to Financial Statements

Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided for in the accompanying financial statements for such potential claims.

9. Licensing and Services Agreement

The Hyde Foundation, a not-for-profit organization dedicated to helping start and support certain aspects of charter schools, provides management, fundraising, and other administrative support services to the School. Pursuant to the terms of a three-year licensing and services agreement with an effective date of October 17, 2016, the School pays the Hyde Foundation an annual fee of \$60,000 for use of licensed educational models, program materials, training of new faculty and accreditation services. Upon expiration, there are automatic successive one-year renewal terms unless terminated by the School and/or the Hyde Foundation by a written 90-day notice.

10. Employee Benefit Plan

The School maintains a deferred compensation plan qualified under Section 403(b) of the IRC. The School matches employee contributions up to 5% of each employee's annual compensation not to exceed the employee's annual salary deferral amount. The School may also elect to make additional contributions to the plan on a discretionary basis. The School made contributions totaling \$434,149 for the year ended June 30, 2018.

11. Subsequent Events

The School's management has performed subsequent event procedures through October 30, 2018, which is the date the financial statements were available to be issued and there were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

Hyde Leadership Charter School

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Passed through the New York State Education Department:				
Title I Grants to Local Educational Agencies (Title I Part A of the ESEA)	84.010	Not available	\$ -	\$ 607,628
Supporting Effective Instruction State Grants	84.367	Not available	-	155,889
Higher Educational Institutional Aid	84.031	Not available	-	13,589
Special Education - Grant to States (IDEA, Part B)	84.027	Not available	-	178,561
Total U.S. Department of Education			-	955,667
U.S. Department of Agriculture				
Passed through the New York State Education Department:				
Child Nutrition Program Administration:				
Child Nutrition Cluster: National School Lunch Program (NSLP)	10.555	320800860903	-	32,458
School Breakfast Program (SBP)	10.553	320800860903	-	813
Total U.S. Department of Agriculture			-	33,271
Total Expenditures of Federal Awards			\$ -	\$ 988,938

The accompanying notes are an integral part of this schedule.

Hyde Leadership Charter School

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hyde Leadership Charter School (the School) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

3. Indirect Cost Rate

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



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
Hyde Leadership Charter School
Bronx, 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 Hyde Leadership Charter School (the School), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

October 30, 2018



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Hyde Leadership Charter School
Bronx, New York

Report on Compliance for Each Major Federal Program

We have audited Hyde Leadership Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The School's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 each major federal program. However, our audit does not provide a legal determination of the School's compliance.



Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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.

BDO USA, LLP

October 30, 2018

Hyde Leadership Charter School
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☐ Yes

☒ No

☐ Yes

☒ None reported

Noncompliance material to the financial statements noted?

☐ Yes

☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☐ Yes

☒ No

☐ Yes

☒ None reported

Type of auditor's 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 federal programs:

CFDA Number

84.010

Name of Federal Program

Title I Grants to Local
Educational Agencies
(Title I Part A of the ESEA)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes

☒ No

Section 2. Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Section 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516 (a)) that are required to be reported.
