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**GRAND CONCOURSE ACADEMY  
CHARTER SCHOOL**

**Financial Statements**

For the year ended June 30, 2018

**GRAND CONCOURSE ACADEMY CHARTER SCHOOL**

**Financial Statements**

June 30, 2018

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## **Independent Auditors' Report**

To the Board of Trustees of  
Grand Concourse Academy Charter School  
New York, New York

### **Report on the financial statements**

We have audited the accompanying financial statements of Grand Concourse Academy Charter 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.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Grand Concourse Academy 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.

### **Prior period financial statements**

The financial statements of Grand Concourse Academy Charter School, as of and for the year ended June 30, 2017, were audited by other auditors whose report dated November 17, 2017 expressed an unmodified opinion on those statements.

### **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 Grand Concourse Academy 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 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 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 Grand Concourse Academy Charter School's internal control over financial reporting and compliance.

NChing LLP

New York, New York  
October 30, 2018

**GRAND CONCOURSE ACADEMY CHARTER SCHOOL****Statement of Financial Position**

June 30, 2018

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,712,088	\$ 4,083,702
Grants receivable	282,986	509,856
Other receivable	18,537	54,369
Prepaid expenses	<u>47,595</u>	<u>102,317</u>
Total current assets	7,061,206	4,750,244
<b>Property and equipment, net - Note 3</b>	475,885	411,433
<b>Other assets</b>		
Reserve for contingency	75,018	-
Escrow for building fund	2,004,916	2,000,000
Security deposits	<u>224,026</u>	<u>121,000</u>
Total assets	<u><u>\$ 9,841,051</u></u>	<u><u>\$ 7,282,677</u></u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 175,574	\$ 48,302
Accrued salaries and other payroll related expenses - Note 4	620,617	547,470
Deferred rent	-	20,905
Deferred revenue	<u>141,997</u>	<u>10,179</u>
Total current liabilities	<u>938,188</u>	<u>626,856</u>
<b>Net Assets - unrestricted</b>		
Board designated reserves	2,079,934	2,000,000
Undesignated	<u>6,822,929</u>	<u>4,655,821</u>
Total unrestricted net assets	<u>8,902,863</u>	<u>6,655,821</u>
Total liabilities and unrestricted net assets	<u><u>\$ 9,841,051</u></u>	<u><u>\$ 7,282,677</u></u>

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

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## Statement of Activities

For the year ended June 30, 2018

	2018	2017
<b><u>Operating revenue and other support</u></b>		
<b>State and local per pupil operating revenue:</b>		
General education	\$ 7,968,423	\$ 7,662,754
Special education	619,454	675,893
Facility lease assistance	549,970	299,364
Total state and local per pupil operating revenue	9,137,847	8,638,011
<b>Grants, contracts and other support:</b>		
Federal grants	519,338	414,156
State and local grants	244,333	278,637
Contributions	1,002	602
Interest and other income	51,380	8,516
Total operating revenue and other support	9,953,900	9,339,922
<b><u>Expenses</u></b>		
<b>Program expenses</b>		
Regular education	4,942,250	4,182,352
Special education	1,450,373	1,239,655
Total program expenses	6,392,623	5,422,007
<b>Supporting services</b>		
Management and general	1,293,249	1,085,014
Fund-raising	20,986	7,000
Total supporting services	1,314,235	1,092,014
Total program and supporting services expenses	7,706,858	6,514,021
Change in net assets	2,247,042	2,825,901
Unrestricted net assets - beginning of year	6,655,821	3,829,920
Unrestricted net assets - end of year	\$ 8,902,863	\$ 6,655,821

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

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## Statement of Functional Expenses

For the year ended June 30, 2018

	Program expenses			Supporting services		Total 2018
	Regular education	Special education	Total programs	Management & general	Fund-raising	
<b>Salaries and staff</b>						
Instructional staff personnel	\$ 2,187,976	\$ 649,555	\$ 2,837,531	\$ 581,181	\$ -	\$ 3,418,712
Administrative staff personnel	692,106	205,468	897,574	183,841	-	1,081,415
Noninstructional staff personnel	141,396	41,977	183,373	37,559	-	220,932
Total salaries and staff	<u>3,021,478</u>	<u>897,000</u>	<u>3,918,478</u>	<u>802,581</u>	<u>-</u>	<u>4,721,059</u>
<b>Operating expenses</b>						
Payroll taxes and fringe benefits	648,437	192,505	840,942	172,241	-	1,013,183
Retirement	97,313	28,890	126,203	25,848	-	152,051
Professional and consulting services	118,149	35,076	153,225	31,383	-	184,608
Occupancy	476,489	141,458	617,947	126,567	-	744,514
Repairs and maintenance	55,631	16,515	72,146	14,777	-	86,923
Insurance	39,355	11,683	51,038	10,454	-	61,492
Utilities	77,948	23,141	101,089	20,704	-	121,793
Supplies and materials	98,835	12,216	111,051	-	-	111,051
Equipment and furnishings	1,347	400	1,747	358	-	2,105
Staff development	42,927	12,744	55,671	11,403	-	67,074
Marketing and recruitment	1,835	545	2,380	487	-	2,867
Technology	55,275	16,410	71,685	14,682	-	86,367
Leased equipment	5,956	1,768	7,724	1,583	-	9,307
Telephone and internet	16,513	4,902	21,415	4,387	-	25,802
Food service	580	172	752	155	-	907
Student services	98,152	29,139	127,291	26,071	-	153,362
Administrative	28,051	8,596	36,647	8,597	-	45,244
Travel	8,795	2,611	11,406	2,336	-	13,742
Other	-	-	-	5,480	-	5,480
Interest	-	-	-	91	-	91
Depreciation	49,184	14,602	63,786	13,064	-	76,850
Fund-raising	-	-	-	-	20,986	20,986
Total operating expenses	<u>1,920,772</u>	<u>553,373</u>	<u>2,474,145</u>	<u>490,668</u>	<u>20,986</u>	<u>2,985,799</u>
Total expenses	<u>\$ 4,942,250</u>	<u>\$ 1,450,373</u>	<u>\$ 6,392,623</u>	<u>\$ 1,293,249</u>	<u>\$ 20,986</u>	<u>\$ 7,706,858</u>

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

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## Statement of Functional Expenses

For the year ended June 30, 2017

	Program expenses			Supporting services		
	Regular education	Special education	Total programs	Management & general	Fund-raising	Total 2017
<b>Salaries and staff</b>						
Instructional staff personnel	\$ 2,020,355	\$ 686,835	\$ 2,707,190	\$ -	\$ -	\$ 2,707,190
Administrative staff personnel	367,654	44,090	411,744	384,205	-	795,949
Noninstructional staff personnel	-	-	-	157,234	-	157,234
Total salaries and staff	<u>2,388,009</u>	<u>730,925</u>	<u>3,118,934</u>	<u>541,439</u>	<u>-</u>	<u>3,660,373</u>
<b>Operating expenses</b>						
Payroll taxes and fringe benefits	586,412	179,490	765,902	132,958	-	898,860
Retirement	80,462	24,628	105,090	18,243	-	123,333
Professional and consulting services	-	4,650	4,650	181,712	-	186,362
Occupancy	485,675	148,657	634,332	110,118	-	744,450
Repairs and maintenance	64,850	19,849	84,699	14,704	-	99,403
Insurance	45,517	13,932	59,449	10,320	-	69,769
Utilities	63,486	19,432	82,918	14,394	-	97,312
Supplies and materials	125,784	15,085	140,869	-	-	140,869
Equipment and furnishings	2,555	782	3,337	579	-	3,916
Staff development	30,603	9,367	39,970	6,939	-	46,909
Marketing and recruitment	1,724	395	2,119	532	-	2,651
Technology	45,336	13,877	59,213	10,279	-	69,492
Leased equipment	5,988	1,833	7,821	1,358	-	9,179
Telephone and internet	18,329	5,610	23,939	4,156	-	28,095
Food service	1,866	224	2,090	-	-	2,090
Student services	114,111	13,685	127,796	-	-	127,796
Administrative	18,864	5,774	24,638	5,935	-	30,573
Travel	11,957	3,660	15,617	2,711	-	18,328
Other	-	-	-	6,430	-	6,430
Interest	-	-	-	1,614	-	1,614
Depreciation	90,824	27,800	118,624	20,593	-	139,217
Fund-raising	-	-	-	-	7,000	7,000
Total operating expenses	<u>1,794,343</u>	<u>508,730</u>	<u>2,303,073</u>	<u>543,575</u>	<u>7,000</u>	<u>2,853,648</u>
Total expenses	<u>\$ 4,182,352</u>	<u>\$ 1,239,655</u>	<u>\$ 5,422,007</u>	<u>\$ 1,085,014</u>	<u>\$ 7,000</u>	<u>\$ 6,514,021</u>

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



**GRAND CONCOURSE ACADEMY CHARTER SCHOOL****Statement of Cash Flows**

For the year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,247,042	\$ 2,825,901
Adjustments to reconcile change in net assets to to net cash provided by operating activities		
Depreciation	76,850	139,216
Changes in operating assets and liabilities		
Grants receivable	226,870	(72,774)
Other receivable	35,832	32,346
Prepaid expenses	54,722	(63,963)
Accounts payable	127,272	(22,318)
Accrued salaries and other payroll related expenses	73,147	(108,063)
Deferred rent	(20,905)	1,390
Deferred revenue	131,818	10,179
Net cash provided by operating activities	<u>2,952,648</u>	<u>2,741,914</u>
<b>Cash flows used in investing activities</b>		
Reserve for contingency	(75,018)	-
Escrow for building fund	(4,916)	(2,000,000)
Security deposits	(103,026)	-
Acquisition of property, plant and equipment	<u>(141,302)</u>	<u>(257,626)</u>
Net cash used in investing activities	<u>(324,262)</u>	<u>(2,257,626)</u>
Net increase in cash and cash equivalents	2,628,386	484,288
Cash and cash equivalents - beginning of year	<u>4,083,702</u>	<u>3,599,414</u>
Cash and cash equivalents - end of year	<u><u>\$ 6,712,088</u></u>	<u><u>\$ 4,083,702</u></u>

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

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## Notes to Financial Statements

June 30, 2018

### Note 1 - Organization

Grand Concourse Academy Charter School (the "School") is a public charter school located in the Bronx, New York. The School originally served kindergarten through sixth grade; seventh grade was added in 2016. The School was chartered in July 2004 and successfully re-chartered on January 28, 2014 for an additional five years. The goal of the School is to offer students a high-quality public education on a nondiscriminatory and secular basis. The mission of the School is to create a challenging learning environment that addresses and meets the needs of students in New York City, especially those at risk of academic failure. In a concerted effort to prepare students for entry into the very best middle and high schools of New York City, the School seeks to foster a sense of strong character, ethics, and personal responsibility, as well as high expectations and academic success.

### Note 2 Summary of significant accounting policies

**Basis of presentation and use of estimates.** The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications.** Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. The reclassifications have no effect on 2017 total assets, liabilities and net assets.

**Net asset presentation.** The classification of the School'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.

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## Notes to Financial Statements

June 30, 2018

### Note 2 Summary of significant accounting policies (Continued)

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. The School currently does not possess any permanently restricted net assets.
- **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. The School has no temporarily restricted net assets at June 30, 2018.
- **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor – imposed stipulations.

**Cash and cash equivalents.** The School considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

**Accounts and grants receivable.** Accounts and grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$282,986 and \$509,856 at June 30, 2018 and 2017, respectively. There is no allowance recorded at June 30, 2018, as all amounts are deemed collectible.

**Donated goods and services.** The School receives donated services from unpaid volunteers. No amounts have been recognized in the statement of activities since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

The School received donated transportation and food service services from the local district. The School was unable to determine a value for these services.

**Restricted cash.** Restricted cash relates to required reserve and escrow accounts that are required to be maintained by the School in accordance with charter requirements.

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## Notes to Financial Statements

June 30, 2018

### Note 2 Summary of significant accounting policies (Continued)

**Revenue recognition.** The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when Services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

**Functional allocation of expenses.** The cost of providing the various programs and other activities has been summarized on an individual basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expense includes expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the school.

**Property and equipment.** Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$5,000 with an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets.

The estimated depreciable lives of the different classes of property, plant and equipment are as follows:

<u>Asset</u>	<u>Useful Life</u>
Leasehold improvements	1 -3 Years
Furniture and fixtures	5 – 7 Years
Computer equipment	5 – 7 Years
Office equipment	5 – 7 Years

Construction-in-progress at June 30, 2018 and June 30, 2017 consists of cost incurred for the School's future facility. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## Notes to Financial Statements

June 30, 2018

### Note 2 Summary of significant accounting policies (Continued)

**Income taxes.** In 2005, Grand Concourse Academy Charter School filed and received approval of its application for tax exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization as described in Internal Revenue Code Sec. 509(a)(1) and 170(b)(1)(a)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

The School is no longer subject to income tax examination by tax authorities for years before June 30, 2014.

**Subsequent events.** Management has evaluated subsequent events occurring after June 30, 2018 through October 30, 2018, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

### Note 3 Property and equipment

At June 30, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Leasehold improvements	\$ 161,034	\$ 155,985
Furniture and fixtures	56,254	44,066
Computer equipment	258,957	278,983
Office equipment	221,314	221,824
Construction in progress	193,975	49,375
	891,534	750,233
Less: Accumulated Depreciation	(415,649)	(338,800)
Total	<u>\$ 475,885</u>	<u>\$ 411,433</u>

# **GRAND CONCOURSE ACADEMY CHARTER SCHOOL**

## **Notes to Financial Statements**

June 30, 2018

### **Note 4 - Accrued payroll and other payroll-related expenses**

Accrued payroll and benefits consist of amounts earned by the staff during the school year but paid over the summer months. As of June 30, 2018 and 2017, total accrued salaries and other payroll-related expenses amounted to \$620,617 and \$547,470, respectively.

### **Note 5 - Retirement plan**

The School offers a 401(k) plan (the "Plan") for substantially all of its qualifying employees. Employees are eligible for the Plan immediately upon employment and participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation up to IRS limits for each calendar year. The School matches the employee contribution up to 6% of the employee's annual compensation. For the years ended June 30, 2018 and 2017, the School's matching contribution was \$152,051 and \$123,333. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

### **Note 6 - Concentration of risk**

The School maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to significant credit risk on cash and cash equivalents.

The School received approximately 92% of its operating revenue, which is subject to specific requirements from per pupil funding from the New York City Department of Education during the years ended June 30, 2018 and 2017. Additionally, the School's grants receivable consists of approximately 100% from the New York State Department of Education and the Federal Title I grants.

### **Note 7 - Commitment**

The School is a lessee under an operating lease, primarily for classroom space and administrative offices. For the years ended June 30, 2018 and 2017, rent of \$725,000 was included in occupancy expense. The accompanying statement of activities reflect the rent expense on a straight-line basis over the term of the lease. At June 30, 2018 and 2017, deferred rent payable in the amount of \$0 and \$20,905 represent the excess of the rental expense recognized over the actual rent billed. The lease ended on July 15, 2018 but was extended for one year through July 15, 2019. The required minimum payment for the fiscal period ended June 30, 2019 and 2020 is \$750,000 and \$619,156, respectively.

# **GRAND CONCOURSE ACADEMY CHARTER SCHOOL**

## **Notes to Financial Statements**

June 30, 2018

### **Note 8 - Contingency**

The School participates in a number of federal and state programs. These programs require that the School comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

The School is involved in an ongoing litigation related to a construction project agreement with an unrelated third party (the "Plaintiff") which was entered into in 2011. There is also a dispute in regards to the rental sums due to the Plaintiff pursuant to a lease agreement entered into in 2004. The School records a liability when the School believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Management is unable to evaluate the likelihood of an unfavorable outcome and estimate of potential loss, based on the facts at this time.

### **Note 9 - Supporting services**

The School entered into an agreement (the "Agreement") with a third party to provide assistance with accounting and bookkeeping, financial reporting and budgeting, and grant financial management. The agreement was effective as of October 1, 2016 for one year, and shall automatically renew for successive 12 month periods unless either party decides otherwise. For fiscal years ended June 30, 2018 and 2017, the School incurred fees of \$52,000 and \$39,000 which are included in the accompanying statement of functional expenses. At June 30, 2018, there was no amount due to the third party service provider.

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## Notes to Financial Statements

June 30, 2018

### Note 10 Lease commitment

Effective December 9, 2016, the School entered into a lease agreement with an unrelated third party (the "Landlord") to develop and build the School's future education facility (the "Building") on the property located at 1234 Bolton Avenue, Bronx, New York (collectively, the "Leased Premises"). As part of the lease agreement, the School shall not have any obligation to pay base rent or any other obligation to the Landlord under the lease during the construction period and until the lease term commencement date. The School has applied FASB Accounting Standards Codification (ASC), "Lease Accounting (Topic 840-40) and determined that it does not have substantially all of the construction period risks, and shall not be considered the owner of the asset during the construction period. Accordingly, the lease term of the operating lease shall commence on the later date to occur of the date the Landlord's work is substantially complete or August 1, 2019, and shall expire on the 29th calendar year after the calendar year in which the lease term commences.

As the total development costs factor into determining the fair market rental value to the Leased Premises, the School and Landlord (collectively, the "Parties") have acknowledged that the final schedule of base rents is subject to modification. Using the construction project's initial budget, the Parties have agreed to the initial schedule of future minimum lease payments, as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2020	\$ 2,656,783
2021	\$ 2,656,783
2022	\$ 2,656,783
2023	\$ 2,656,783
2024	\$ 2,656,783
Thereafter	\$85,211,751

Under the lease agreement, the School has the option to buy out and purchase the Leased Premises during the period commencing on the 30th full calendar month of the lease term and ending on the 54th full calendar month of the lease term. As the total development costs factor into determining the fair market sale value to the Leased Premises, the Parties have acknowledged that the final schedule of purchase prices is subject to modification. Using the construction project's initial budget, the Parties have agreed to the initial schedule of option purchase prices for the Leased Premises, as follows:

<u>If option exercised During</u>	<u>Option</u> <u>Purchase Price</u>
30 <sup>th</sup> through 36 <sup>th</sup> full calendar months of the lease term	\$32,095,431
37 <sup>th</sup> through 48 <sup>th</sup> full calendar months of the lease term	\$32,296,836
49 <sup>th</sup> through 54 <sup>th</sup> full calendar months of the lease term	\$32,405,374



## **GRAND CONCOURSE ACADEMY CHARTER SCHOOL**

### **Notes to Financial Statements**

June 30, 2018

#### **Note 10 – Lease commitment (Continued)**

In conjunction with the lease agreement, the Parties entered into an escrow agreement with ZB National Association ("Zions Bank") which required the School to deposit \$2,000,000 into escrow to fund the Landlord's construction of the Building. Zions Bank agreed to act as the sole custodian of the escrow account, in the name of the Landlord. Upon substantial completion and delivery of the Leased Premises to the School, the Zions Bank shall deliver the entire amount in escrow to the Landlord. At June 30, 2018 and 2017, the balance in the escrow account was \$2,004,916 and \$2,000,000, and is presented as restricted cash on the accompanying statement of financial position.

**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 of  
Grand Concourse Academy Charter School  
New York, 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 Grand Concourse Academy Charter 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 Grand Concourse Academy Charter 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 Grand Concourse Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grand Concourse Academy Charter 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 Grand Concourse Academy Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York  
October 30, 2018

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## Summary Schedule of Prior Year Audit Findings

For the year ended June 30, 2018

### Finding No.: 2017-001 – Dissolution Funds

<i>Criteria:</i>	As per Section 8.5 of the School's charter agreement, the School is required to establish an escrow account of no less than \$75,000 to pay for legal and audit expenses that would be associated with a dissolution should it occur.
<i>Condition:</i>	The School did not maintain a separate reserve account with \$75,000.
<i>Cause:</i>	The School was unaware of this requirement.
<i>Effect:</i>	The School is not in compliance with charter agreement established between the School and authorizer.
<i>Recommendation:</i>	We recommend that the School open a new account and set aside \$75,000 of dissolution funds in reserve.
<i>Questioned costs:</i>	N/A
<i>Views of responsible Officers:</i>	The School will establish a \$75,000 escrow account as described above.
<i>Current Status</i>	The School has established the \$75,000 escrow account in the current fiscal year.