

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2014

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2013)

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	13
Notes to Schedule of Expenditures of Federal Awards	14
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 <i>Government Auditing Standards</i>	15-16
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	17-18
Schedule of Findings and Questioned Costs	19-20



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Visions Charter High School for Advanced Math and Science

Report on the Financial Statements

We have audited the accompanying financial statements of New Visions Charter High School for Advanced Math and Science (the "School"), which comprise the statement of financial position as of June 30, 2014, 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 of 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 School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Visions Charter High School for Advanced Math and Science as of June 30, 2014, 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 New Visions Charter High School for Advanced Math and Science's 2013 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 29, 2014, 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 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 the School's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
October 29, 2014

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2013)

ASSETS	2014	2013
Cash	\$ 237,693	\$ 336,500
Cash - restricted	75,083	50,032
Grants receivable	405,190	440,178
Other receivables	136	3,342
Prepaid expenses and other assets	22,485	8,614
Property and equipment, net	43,056	24,464
	\$ 783,643	\$ 863,130
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	116,409	201,334
Accrued salaries and other payroll related expenses	97,068	234,633
Due to NYC Department of Education	14,196	6,215
Due to related entities	111,528	144,785
	339,201	586,967
NET ASSETS		
Unrestricted	444,442	276,163
	\$ 783,643	\$ 863,130

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
OPERATING REVENUE		
State and local per pupil operating revenue	\$ 5,135,972	\$ 3,350,700
Government grants and contracts	<u>849,310</u>	<u>857,486</u>
	<u>5,985,282</u>	<u>4,208,186</u>
EXPENSES		
Program	5,193,767	3,819,890
Management and general	629,643	544,217
Fundraising	<u>47,882</u>	<u>33,685</u>
	<u>5,871,292</u>	<u>4,397,572</u>
SUPPORT AND OTHER INCOME		
Contributions and other grants	54,188	25,422
Interest income	<u>101</u>	<u>52</u>
	<u>54,289</u>	<u>25,474</u>
CHANGE IN NET ASSETS	168,279	(163,912)
NET ASSETS – BEGINNING OF YEAR	<u>276,163</u>	<u>440,075</u>
NET ASSETS – END OF YEAR	<u>\$ 444,442</u>	<u>\$ 276,163</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE**STATEMENT OF FUNCTIONAL EXPENSES****FOR THE YEAR ENDED JUNE 30, 2014****(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

	Program	Management and General	Fundraising	2014	2013
FUNCTIONAL EXPENSES					
Salaries	\$ 2,774,579	\$ 380,927	\$ -	\$ 3,155,506	\$ 2,264,654
Payroll taxes and employee benefits	801,770	110,839	-	912,609	630,181
Accounting/Audit	-	25,939	-	25,939	17,584
Management fees	397,091	33,850	47,882	478,823	336,655
Educational and other consultants	237,253	7,222	-	244,475	154,930
Legal fees	11,858	380	-	12,238	2,440
Contract substitute	39,325	-	-	39,325	57,474
Food service/School lunch	13,534	-	-	13,534	5,900
Instructional supplies and materials	90,569	-	-	90,569	124,774
Textbooks and library books	82,581	29	-	82,610	62,338
Office expenses	66,690	27,213	-	93,903	66,378
Telephone and internet	31,342	3,834	-	35,176	14,230
Technology infrastructure and software	197,802	11,483	-	209,285	356,862
Student assessments	12,725	-	-	12,725	750
Student transportation	11,169	-	-	11,169	31,059
Student uniforms	20,320	132	-	20,452	27,665
Equipment maintenance	12,255	2,374	-	14,629	11,704
Staff recruitment	21,704	146	-	21,850	16,018
Student recruitment	10,852	-	-	10,852	7,857
Conference and meetings	84,305	3,865	-	88,170	68,330
Other expenses	3,329	273	-	3,602	6,666
Insurance	29,092	2,480	-	31,572	21,930
Facilities expense	216,102	16,311	-	232,413	97,807
Depreciation	27,520	2,346	-	29,866	13,386
	\$ 5,193,767	\$ 629,643	\$ 47,882	\$ 5,871,292	\$ 4,397,572

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 5,987,013	\$ 4,098,241
Other cash received	57,495	27,810
Cash paid to employees and suppliers	<u>(6,094,857)</u>	<u>(4,128,707)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(50,349)</u>	<u>(2,656)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(48,458)</u>	<u>(4,596)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(48,458)</u>	<u>(4,596)</u>
NET DECREASE IN CASH	(98,807)	(7,252)
CASH - BEGINNING OF YEAR	<u>336,500</u>	<u>343,752</u>
CASH - END OF YEAR	<u>\$ 237,693</u>	<u>\$ 336,500</u>
 Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ 168,279	\$ (163,912)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	29,866	13,386
Changes in operating assets and liabilities:		
Cash - restricted	(25,051)	(25,074)
Grants receivable	34,988	(119,273)
Other receivables	3,206	2,336
Prepaid expenses and other assets	(13,871)	(3,762)
Due from related entities	-	7,144
Accounts payable and accrued expenses	(84,925)	55,450
Accrued salary and other payroll related expenses	(137,565)	172,600
Due to NYC Department of Education	7,981	9,328
Due to related entities	<u>(33,257)</u>	<u>49,121</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (50,349)</u>	<u>\$ (2,656)</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

1. NATURE OF THE ORGANIZATION

New Visions Charter High School for Advanced Math and Science (the "School") is a New York State not-for-profit educational corporation that was incorporated on December 14, 2010 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, has received a charter from The Charter Schools Institute - State University of New York ("SUNY-CSI") to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved Charter Application and Charter Agreement dated November 19, 2010. The School endeavors to extend equally to all students, regardless of their previous academic history, the highest quality education in an atmosphere of respect, responsibility and safety.

The School is exempt from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

In fiscal year 2014, the School operated classes for students in ninth, tenth, and eleventh grades. The eleventh grade was added beginning in fiscal year 2014.

The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, and school safety. Approximately 8,728 feet of square footage is allocated to the School.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 and requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in the statement of financial position. The amounts of change in each of the classes of net assets are also required to be displayed in the 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 are 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. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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

The School has no temporarily or permanently restricted net assets at June 30, 2014.

Cash – Restricted

Included in cash - restricted is an escrow account of \$75,083 and \$50,032 at June 30, 2014 and 2013, respectively, which is held aside for contingency purposes as required by SUNY–CSI.

Grants Receivable

Grants receivable represent federal and state entitlements and grants. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amounted to \$405,190 and \$440,178 at June 30, 2014 and 2013, respectively. The School has determined that no allowance for uncollectible accounts was necessary at June 30, 2014 and 2013. Such estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

Revenue is recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and certain state and local funds are recorded when expenditures are incurred and billable to the government agencies.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Net Assets

Unrestricted net assets consist of revenues derived from government agencies, public contributions and other revenues for youth education. These net assets account for resources over which the Board of Trustees has discretionary control to use in carrying on the operations of the School.

Premises Provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined, and is industry practice.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as they occur. The School has established a \$3,000 threshold above which assets are evaluated to be capitalized. The School expenses leasehold improvements because it has no lease and is uncertain that the space will be available beyond the close of the current fiscal year. Removable equipment that can be transferred to new space, if necessary, is capitalized. Depreciation is provided on the straight line method over the estimated useful lives as follows:

Furniture & office equipment	3 years
Computer equipment	3 years

Impairments

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2014.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of the proportionate share of instructional expenses and management and general. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 29, 2014, which is the date the financial statements were available to be issued.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information

The June 30, 2014 financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for June 30, 2013 are presented. As a result, the June 30, 2013 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2013 information should be read in conjunction with the School's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

The School files an informational return in the federal jurisdiction. The School is subject to federal income tax examination by tax authorities for all fiscal years in which informational returns were filed.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of tax as "Other Expense."

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2017 and in interim periods in annual periods beginning after December 15, 2018. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

Reclassification

The prior year statement of cash flows has been reclassified from the indirect method to the direct method in the current year financial statements. This reclassification had no effect on previously reported change in net assets.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

3. RELATED PARTY TRANSACTIONS

The School is an affiliate of New Visions for Public Schools ("New Visions") through common board members. New Visions is a not-for-profit organization dedicated to supporting public schools and helping to start and manage charter schools. Pursuant to the terms of the Educational Services Agreement by and between the School and New Visions dated July 22, 2011, New Visions shall provide educational management, operational services, and fundraising to the School. As compensation to New Visions for these services rendered, the School shall pay 8% of its Gross Revenues. Gross revenue is defined as all such funding provided by the State, Federal, and local governments, but shall exclude any private grant funding awarded to the School.

The balance due to New Visions from the School at June 30, 2014 and 2013 amounted to \$110,240 and \$144,785, respectively, which comprise the remaining portion of the management fees incurred by the School for the years ended June 30, 2014 and 2013. Total management fees incurred by the School for the years ended June 30, 2014 and 2013 totaled \$478,823 and \$336,655, respectively.

For operational efficiency and purchasing power, the School also shares expenses with five other charter schools related by common management. At June 30, 2014 and 2013, the balance due to the other charter schools was \$1,288 and \$0, respectively.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2014	2013
Computer equipment	\$ 79,866	\$ 35,203
Furniture and fixtures	17,436	13,641
	97,302	48,844
Less: accumulated depreciation	(54,246)	(24,380)
	<u>\$ 43,056</u>	<u>\$ 24,464</u>

Depreciation expense amounted to \$29,866 and \$13,386 for the years ended June 30, 2014 and 2013, respectively.

5. GRANTS RECEIVABLE

Grants receivable consists of federal and state entitlements and grants. The School expects to collect these receivables within one year. Grants receivable consist of the following as of June 30:

	2014	2013
School Improvement Grant	\$ 240,000	\$ 236,841
E-Rate Reimbursement	28,120	27,488
Charter School Planning Grant	-	77,004
Title I	125,352	98,845
Title II	5,868	-
New Visions Public Schools – Master Grant	5,850	-
	<u>\$ 405,190</u>	<u>\$ 440,178</u>

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

6. PENSION PLAN

The School maintains a pension plan qualified under Internal Revenue Code 403(b) plan (the "Plan") for the benefit of its eligible employees. The Plan is an elective contribution plan. Employees are eligible to enroll in the Plan once they have completed at least 1 full year of service and completion of 1,000 work hours and are also eligible for discretionary employer contributions. The School's contribution becomes fully vested after the sixth year of the employees' service. Pension expense for the years ended June 30, 2014 and 2013 was \$147,139 and \$74,125, respectively, and is included in payroll taxes and employee benefits on the statement of functional expenses.

7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. 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 in the accompanying financial statements for such potential claims.

8. COMMITMENTS

In December 2011, the School entered into a service contract with Lincoln Center Institute for the Arts in Education ("LCI") to receive high school literacy-related services based on a fee for service basis. The contract is effective through December 2015 after which the contract will automatically be extended through June 2017 with additional one-year extensions until the contract is terminated. Services include teaching artists, program manager, and yearly licensing for materials. The fee is based on rates negotiated between LCI and the United Federation of Teachers, Lincoln Center Teaching Artist Chapter, NYSUT, AFT, AFL-CIO (the "UFT Agreement"), whose rates are expected to increase 3% per year. Future minimum payments under the contract are as follows:

<u>June 30,</u>	
2015	\$ 92,049
2016	94,811
2017	<u>97,655</u>
	<u>\$ 284,515</u>

9. CONCENTRATIONS

Financial instruments that potentially subject the school to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limits of \$250,000.

The School received approximately 85% and 80% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2014 and 2013, respectively.

The School's grants receivable consist of two major grantors accounting for approximately 90% at June 30, 2014 and three major grantors accounting for approximately 94% at June 30, 2013.

The School's payables consist of three major grantors accounting for approximately 63% at June 30, 2014 and two major vendors accounting for approximately 53% at June 30, 2013.

SUPPLEMENTARY INFORMATION

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed-through from New York State Education Department			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 147,761
Title II, Part A - Improving Teacher Quality State Grants	84.367	N/A	14,621
Charter Schools	84.282.M	N/A	153,084
School Improvement Grants	84.377	N/A	450,963
			<hr/>
Total Expenditures of Federal Awards			<hr/> \$ 766,429

See independent auditor's report.
The accompanying notes are an integral part of this schedule.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2014

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of New Visions Charter High School for Advanced Math and Science (a not-for-profit organization) (the "School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this schedule presents only a selected portion of the operations of the School, it is not intended 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available and when applicable.

3. SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, the School provided no federal awards to sub-recipients.



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
New Visions Charter High School for Advanced Math and Science

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 New Visions Charter High School for Advanced Math and Science (the "School"), which comprise the statement of financial position as of June 30, 2014, 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 29, 2014.

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.

Compliance and Other Matters (Continued)

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in a separate letter dated October 29, 2014.

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.

MBAF CPAs, LLC

New York, NY

October 29, 2014



Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Trustees
New Visions Charter High School for Advanced Math and Science

Compliance

We have audited New Visions Charter High School for Advanced Math and Science's (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2014. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program 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 U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Major Federal Program

In our opinion, New Visions Charter High School for Advanced Math and Science complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of New Visions Charter High School for Advanced Math and Science is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

MBAF CPAs, LLC

New York, NY
October 29, 2014

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

Section I – Summary of Auditor's results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness (es) identified?

___ Yes √ No

Significant deficiency (ies) identified that are not
considered to be material weaknesses?

___ Yes √ None reported

Noncompliance material to financial statements noted?

___ Yes √ No

Federal Awards

Internal control over major programs:

Material weakness (es) identified?

___ Yes √ No

Significant deficiency (ies) identified that are not
considered to be material weaknesses?

___ Yes √ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with section 510(a) of OMB Circular A-133?

___ Yes √ No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
School Improvement Grants	84.377	\$450,963
Dollar threshold used to distinguish between Type A and type B programs:		<u>\$300,000</u>
Auditee qualified as low-risk auditee?		___ Yes <u>√</u> No

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

Section II - Financial Statement Findings:

None Noted.

Section III - Federal Award Findings and Questioned Costs:

None Noted.

New Visions Charter High School For Advanced Math and Science

Communication With Those Charged With Governance

OCTOBER 29, 2014





October 29, 2014

To the Audit Committee
New Visions Charter High School for Advanced Math and Science

We have audited the financial statements of New Visions Charter High School for Advanced Math and Science (the "School") for the year ended June 30, 2014 and are prepared to issue our report thereon dated October 29, 2014. Professional standards require that we provide you with the following information related to our audit. This letter is divided into two sections: 1) required communications from the auditors to those with audit oversight responsibilities and 2) opportunities for strengthening internal controls or enhancing operating efficiency and our related recommendations.

REQUIRED COMMUNICATIONS

A. Our Responsibility under U.S. Generally Accepted Auditing Standards:

As stated in our engagement letter dated June 20, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of New Visions Charter High School for Advanced Math and Science. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

B. Planned Scope and Timing of the Audit:

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 23, 2014.

C. Auditor Independence:

We affirm that MBAF CPAs, LLC is independent with respect to New Visions Charter High School for Advanced Math and Science.

D. Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School are described in Note 2 to the financial statements. As described therein, the School elected to implement the application of an accounting pronouncement pertaining to accounting for uncertain tax positions. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

E. Accounting Estimates Used in the Financial Statements:

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. The most sensitive estimate affecting the financial statements was:

Allowance for Doubtful Accounts:

As of June 30, 2014, New Visions Charter High School for Advanced Math and Science recorded contributions and other receivables of \$405,326. Management concluded that no allowance for doubtful accounts was necessary. Management calculated based on the assessment of the credit-worthiness of the School's donors, the aged basis of the receivables, as well as economic conditions and historical information. Based on our audit procedures which included a discussion with the Director of Finance and a review of subsequent collections (which amounted to \$277,136) we concur with management's conclusion.

Functional Statement Allocation:

Management's estimate of the allocation of functional expenses is directly identified with the program or supporting service to which they relate. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Depreciation:

Management's estimate of depreciation is based on estimated useful lives of assets. We evaluated the estimated useful lives of assets in comparison to generally accepted accounting principles in determining that it is reasonable in relation to the financial statements taken as a whole.

F. Sensitive Disclosures Affecting the Financial Statements:

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

The disclosure of Risk Management in Note 7 to the financial statements which describes various risks to which the School is exposed.

G. Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Except as made known to you, management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We will identify those adjustments proposed both corrected and uncorrected:

Proposed and Corrected:

There were 5 audit adjustments (including 2 reclassification adjustments and 1 prepared by client) that increased net assets by approximately \$19,000.

The most significant adjustment was:

- Entry prepared by client to increase net assets by approximately \$17,000 to adjust the vacation accrual.

Proposed and Uncorrected:

There were no entries that were proposed and uncorrected during the fiscal year.

H. Audit Difficulties and Disagreements with Management:

For purposes of this letter, professional standards define a disagreement with management as 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.

I. Management Representations:

We have requested certain representations from management that are included in the management representation letter dated October 29, 2014.

J. 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 School'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.

K. 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 School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OPPORTUNITIES FOR STRENGTHENING INTERNAL CONTROLS OR ENHANCING OPERATING EFFICIENCY

School Facility Lease Agreement:

Through conversations with the School's management, we have been informed that a formal written agreement between New Visions Charter High School for Advanced Math and Science and the Department of Education does not exist. We recommend that New Visions Charter High School for Advanced Math and Science periodically re-explore the risks of such a relationship.

Bank Reconciliations:

In preparing bank reconciliations on a monthly basis, checks older than six months should be reviewed and cleared as necessary as is best practices. During our audit of cash we noted 6 stale checks including 4 checks that dated back to prior years.

We wish to thank management and personnel for their support and assistance during our audit. We would be pleased to further discuss the contents of this report with you at your convenience.

This information is intended solely for the use of the Audit Committee, Board of Trustees, and management of New Visions Charter High School for Advanced Math and Science and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

MBAF CPAs, LLC

MBAF CPA's, LLC