

ROSALYN YALOW CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019

(With Comparative Totals for 2018)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rosalyn Yalow Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Rosalyn Yalow Charter School, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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 Rosalyn Yalow Charter School as of June 30, 2019, 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 Rosalyn Yalow Charter School's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019 on our consideration of Rosalyn Yalow 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 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 Rosalyn Yalow Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
September 18, 2019

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

	<u>June 30,</u>	
<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 2,678,678	\$ 1,644,895
Grants and other receivables	127,167	259,713
Prepaid expenses	348,014	295,163
TOTAL CURRENT ASSETS	3,153,859	2,199,771
<u>PROPERTY AND EQUIPMENT</u> , net	310,249	320,178
<u>OTHER ASSETS</u>		
Deposits	391,570	391,570
Cash in escrow	75,017	75,000
TOTAL ASSETS	<u>\$ 3,930,695</u>	<u>\$ 2,986,519</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 177,917	\$ 132,143
Accrued payroll and benefits	358,167	239,755
Deferred revenue	21,339	12,163
TOTAL CURRENT LIABILITIES	557,423	384,061
<u>DEFERRED LEASE LIABILITY</u>	20,665	-
TOTAL LIABILITIES	<u>578,088</u>	<u>384,061</u>
<u>NET ASSETS</u>		
Without donor restriction	3,347,107	2,598,458
With donor restriction	5,500	4,000
TOTAL NET ASSETS	<u>3,352,607</u>	<u>2,602,458</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,930,695</u>	<u>\$ 2,986,519</u>

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	Year ended June 30,			2018
	2019		Total	
	Without donor restriction	With donor restriction		
Operating revenue and support:				
State and local per pupil operating revenue	\$ 9,631,770	\$ -	\$ 9,631,770	\$ 6,864,568
Federal grants	456,928	-	456,928	403,819
State grants	231,319	-	231,319	159,864
Fundraising	10,870	1,500	12,370	9,731
Contributed goods and services	24,235	-	24,235	39,705
TOTAL OPERATING REVENUE AND SUPPORT	10,355,122	1,500	10,356,622	7,477,687
Expenses:				
Program:				
Regular education	6,177,831	-	6,177,831	3,861,367
Special education	1,999,055	-	1,999,055	1,271,160
Management and general	1,429,587	-	1,429,587	1,060,433
TOTAL EXPENSES	9,606,473	-	9,606,473	6,192,960
CHANGE IN NET ASSETS	748,649	1,500	750,149	1,284,727
Net assets at beginning of year	2,598,458	4,000	2,602,458	1,317,731
NET ASSETS AT END OF YEAR	\$ 3,347,107	\$ 5,500	\$ 3,352,607	\$ 2,602,458

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019
 (With Comparative Totals for 2018)

	Year Ended June 30,								
	2019				2018				
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Fundraising	Management and General	Sub-total			
Personnel services costs:									
Administrative staff personnel	16	\$ 690,258	\$ 140,468	\$ 830,726	\$ -	\$ 553,190	\$ 553,190	\$ 1,383,916	\$ 940,418
Instructional personnel	50.5	2,467,187	909,636	3,376,823	-	-	-	3,376,823	2,384,681
Non-instructional personnel	4.0	79,018	15,588	94,606	-	325	325	94,931	108,343
Total salaries and wages	70.5	3,236,463	1,065,692	4,302,155	-	553,515	553,515	4,855,670	3,433,442
Fringe benefits and payroll taxes		612,419	201,655	814,074	-	104,739	104,739	918,813	603,742
Retirement		22,037	7,256	29,293	-	3,769	3,769	33,062	19,796
Legal services		-	-	-	-	40,208	40,208	40,208	133,319
Accounting/Audit services		-	-	-	-	223,549	223,549	223,549	151,445
Other Purchased/Professional/Consulting Services		137,532	61,137	198,669	-	23,522	23,522	222,191	252,646
Building and Land Rent/Lease		1,308,181	430,753	1,738,934	-	223,731	223,731	1,962,665	716,667
Repairs and maintenance		158,426	52,166	210,592	-	27,095	27,095	237,687	108,302
Insurance		43,867	14,444	58,311	-	7,502	7,502	65,813	25,162
Utilities		62,060	20,435	82,495	-	10,614	10,614	93,109	62,104
Supplies/Materials		186,872	36,375	223,247	-	-	-	223,247	161,429
Equipment/Furnishings		8,157	2,686	10,843	-	1,395	1,395	12,238	1,535
Staff development		166,718	34,221	200,939	-	2,247	2,247	203,186	113,765
Marketing/Recruitment		80,762	25,572	106,334	-	12,516	12,516	118,850	95,746
Technology		99,313	32,701	132,014	-	16,985	16,985	148,999	92,998
Food service		5,936	1,155	7,091	-	-	-	7,091	1,365
Student services		24,936	4,854	29,790	-	-	-	29,790	23,154
Office expense		24,152	7,953	32,105	-	63,326	63,326	95,431	64,011
Depreciation and amortization		-	-	-	-	87,421	87,421	87,421	128,460
Other		-	-	-	-	27,453	27,453	27,453	3,872
		<u>\$ 6,177,831</u>	<u>\$ 1,999,055</u>	<u>\$ 8,176,886</u>	<u>\$ -</u>	<u>\$ 1,429,587</u>	<u>\$ 1,429,587</u>	<u>\$ 9,606,473</u>	<u>\$ 6,192,960</u>

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 750,149	\$ 1,284,727
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	87,421	128,460
Donation of property and equipment	(3,074)	(39,705)
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	132,546	(40,781)
Prepaid expenses	(52,851)	(135,442)
Deposits	-	(382,620)
Accounts payable and accrued expenses	45,774	47,169
Accrued payroll and benefits	118,412	65,787
Deferred revenue	9,176	(1,864)
Deferred lease liability	<u>20,665</u>	<u>(183,333)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,108,218	742,398
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(74,418)	(102,473)
Increase in cash in escrow	<u>(17)</u>	<u>(25,000)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(74,435)</u>	<u>(127,473)</u>
NET INCREASE IN CASH	1,033,783	614,925
Cash at beginning of year	<u>1,644,895</u>	<u>1,029,970</u>
CASH AT END OF YEAR	<u>\$ 2,678,678</u>	<u>\$ 1,644,895</u>

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

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Rosalyn Yalow Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School engages its students in a process of inquiry. The students are equipped with the necessary skills to lead fulfilling personal and professional lives, including a developed sense of self, the ability to think in innovative and flexible ways, and the inspiration to make a positive impact on their community. On June 24, 2014 the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration on June 30, 2020.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities and net assets of the Charter School are reported in the following self-balancing net asset groups:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2019 and 2018, the Charter School had \$5,500 and \$4,000, respectively, in net assets with donor restrictions for the library and their reading program.

Revenue and support recognition

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

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Cont'd

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2019 or 2018.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Leasehold improvements are being amortized over the term of the lease.

Deposits

Deposits are made up of payments made to third parties in connection with facility lease agreements.

Contributed goods and services

The Charter School received transportation services, a nurse, speech therapist, occupational therapist, physical therapist, food supplies and services and lease assistance from the local district. The Charter School was unable to determine a value for these services.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

The Charter School received donated property and equipment during the years ended June 30, 2019 and 2018. Donated goods are valued at the fair value of the items at the date of donation. The Charter School valued the goods received during the years ended June 30, 2019 and 2018 at \$3,074 and \$39,705, respectively. This amount is included in contributed goods and services in the accompanying statement of activities and changes in net assets and in property and equipment on the statement of financial position.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2016 through June 30, 2019 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$118,800 and \$95,700 for the years ended June 30, 2019 and 2018, respectively.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined fixed escalation of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis over three years which is the lease term and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 “*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*”. The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- 4) Provide enhanced disclosures about:
 - a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
 - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
 - c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP’s financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.
 - d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
 - e) Method(s) used to allocate costs among program and support functions.

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Charter School has adopted the amendments effective July 1, 2018.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Cont'd

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

Comparatives for the year ended June 30, 2018

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School’s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through September 18, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal year 2019.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

	<u>Amount</u>
Cash	\$ 2,678,678
Grants and other receivables	<u>127,167</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 2,805,845</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 290,501	\$ 262,528
Leasehold improvements	24,586	90,571
Office equipment	38,118	32,901
Computers and equipment	<u>319,179</u>	<u>208,892</u>
	672,384	594,892
Less accumulated depreciation and amortization	<u>362,135</u>	<u>274,714</u>
	<u>\$ 310,249</u>	<u>\$ 320,178</u>

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE D: RENT EXPENSE

The Charter School signed a lease extension for its facility with a third party renewing an existing lease to a term of July 1, 2018 through June 30, 2021, at fixed amount of \$105,000 per month. On June 5, 2018, the Charter School signed a lease agreement with a third party for an additional facility. This lease commenced on July 1, 2018 with an expiration date of June 30, 2021, at \$56,800 per month for the first year, and a three percentage increase the next two years. Total rental expense was approximately \$1,963,000 and \$717,000 for the years ended June 30, 2019 and 2018, respectively. The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 1,962,000
2021	<u>1,984,000</u>
Total	<u>\$ 3,946,000</u>

NOTE E: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through August 2021. The approximate future minimum payment on these lease agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 21,800
2021	20,700
2022	<u>600</u>
Total	<u>\$ 43,100</u>

NOTE F: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE G: CONCENTRATIONS

Approximately 51% of grants and other receivables are due from various New York State agencies relating to certain grants at June 30, 2018. There were no amounts due from New York State agencies at June 30, 2019. Approximately 99% and 47% of grants and other receivables are due from the federal government relating to certain grants at June 30, 2019 and 2018, respectively.

For the years ended June 30, 2019 and 2018, approximately 93% and 92%, respectively, of total operating revenue and support came from per-pupil funding provided by the New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE H: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. The Plan allows for the Charter School to make discretionary contributions to the Plan. The Charter School contributed approximately \$33,000 and \$19,800 to the Plan for the years ended June 30, 2019 and 2018, respectively.

NOTE I: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE J: RENEWAL PROCESS

The Charter School is currently in the process of renewing its charter as granted by The New York State Board of Regents. The Charter currently expires June 30, 2020. The renewal process includes review by New York State Department of Education (NYSED) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. The Charter School has submitted its application for renewal. Upon review of the application and results, NYSED will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed.

ROSALYN YALOW CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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*

Board of Trustees
Rosalyn Yalow Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rosalyn Yalow Charter School, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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 September 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rosalyn Yalow 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rosalyn Yalow Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Rosalyn Yalow 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
September 18, 2019