

ROSALYN YALOW CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2021

(With Comparative Totals for 2020)



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, 2021, 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, 2021, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 October 13, 2021 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
October 13, 2021

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals for 2020)

	<u>June 30,</u>	
<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 5,037,772	\$ 5,205,098
Grants and other receivables	98,401	429,281
Prepaid expenses	<u>244,676</u>	<u>99,144</u>
TOTAL CURRENT ASSETS	5,380,849	5,733,523
<u>PROPERTY AND EQUIPMENT, net</u>	1,391,437	415,647
<u>OTHER ASSETS</u>		
Deposits	827,924	411,257
Cash in escrow	<u>100,048</u>	<u>100,048</u>
TOTAL ASSETS	<u>\$ 7,700,258</u>	<u>\$ 6,660,475</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Loan payable	\$ -	\$ 1,145,016
Accounts payable and accrued expenses	220,563	646,185
Accrued payroll and benefits	518,049	518,430
Deferred revenue	<u>12,439</u>	<u>17,848</u>
TOTAL CURRENT LIABILITIES	751,051	2,327,479
<u>DEFERRED LEASE LIABILITY</u>	<u>-</u>	<u>20,869</u>
TOTAL LIABILITIES	<u>751,051</u>	<u>2,348,348</u>
<u>NET ASSETS</u>		
Without donor restrictions	<u>6,949,207</u>	<u>4,312,127</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,700,258</u>	<u>\$ 6,660,475</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, 2021
(With Comparative Totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 9,542,849	\$ 9,324,944
NYC DOE Rental Assistance	1,983,534	1,962,460
Federal grants	770,031	475,697
State grants	31,410	141,333
Fundraising	4,286	1,024
Contributed goods and services	3,049	5,755
	<u>12,335,159</u>	<u>11,911,213</u>
TOTAL OPERATING REVENUE AND SUPPORT		
	12,335,159	11,911,213
Expenses:		
Program:		
Regular education	7,387,516	7,113,817
Special education	1,863,617	2,186,711
Management and general	1,577,685	1,666,816
Fundraising	16,571	13,736
	<u>10,845,389</u>	<u>10,981,080</u>
TOTAL EXPENSES		
	10,845,389	10,981,080
SURPLUS FROM SCHOOL OPERATIONS	1,489,770	930,133
Support and other revenue:		
Paycheck Protection Program loan forgiveness	1,145,016	-
Interest income	2,294	29,387
	<u>1,147,310</u>	<u>29,387</u>
TOTAL SUPPORT AND OTHER REVENUE		
	1,147,310	29,387
CHANGE IN NET ASSETS	2,637,080	959,520
Net assets at beginning of year	4,312,127	3,352,607
NET ASSETS AT END OF YEAR	<u>\$ 6,949,207</u>	<u>\$ 4,312,127</u>

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	Year Ended June 30,								
	2021				2020				
	No. of Positions	Program Services			Supporting Services			Total	
Regular Education		Special Education	Sub-total	Fundraising	Management and General	Sub-total			
Personnel services costs:									
Administrative staff personnel	15	\$ 525,736	\$ 128,494	\$ 654,230	\$ -	\$ 710,923	\$ 710,923	\$ 1,365,153	\$ 1,389,474
Instructional personnel	69	3,245,656	831,450	4,077,106	-	-	-	4,077,106	3,978,221
Non-instructional personnel	1	144,097	30,137	174,234	-	175	175	174,409	221,915
Total salaries and wages	85	3,915,489	990,081	4,905,570	-	711,098	711,098	5,616,668	5,589,610
Fringe benefits and payroll taxes		742,580	187,771	930,351	-	134,861	134,861	1,065,212	1,010,709
Retirement		28,270	7,149	35,419	-	5,134	5,134	40,553	42,000
Legal services		-	-	-	-	23,574	23,574	23,574	45,937
Accounting/Audit services		-	-	-	-	220,934	220,934	220,934	209,300
Other Purchased/Professional/Consulting Services		167,282	59,199	226,481	16,571	30,380	46,951	273,432	199,567
Building and Land Rent/Lease		1,368,212	345,970	1,714,182	-	248,483	248,483	1,962,665	1,962,665
Repairs and maintenance		142,202	35,957	178,159	-	25,825	25,825	203,984	186,444
Insurance		50,884	12,867	63,751	-	9,241	9,241	72,992	65,319
Utilities		58,259	14,731	72,990	-	10,580	10,580	83,570	97,323
Supplies/Materials		79,278	18,490	97,768	-	-	-	97,768	320,943
Equipment/Furnishings		993	251	1,244	-	180	180	1,424	6,813
Staff development		159,055	33,500	192,555	-	1,391	1,391	193,946	322,058
Marketing/Recruitment		216,762	50,841	267,603	-	23,120	23,120	290,723	346,206
Technology		102,118	25,822	127,940	-	18,546	18,546	146,486	142,164
Food service		1,593	332	1,925	-	-	-	1,925	1,930
Student services		12,358	2,576	14,934	-	-	-	14,934	96,884
Office expense		37,121	9,387	46,508	-	62,058	62,058	108,566	127,626
Depreciation and amortization		123,508	31,231	154,739	-	22,431	22,431	177,170	119,409
Other		181,552	37,462	219,014	-	29,849	29,849	248,863	88,173
		<u>\$ 7,387,516</u>	<u>\$ 1,863,617</u>	<u>\$ 9,251,133</u>	<u>\$ 16,571</u>	<u>\$ 1,577,685</u>	<u>\$ 1,594,256</u>	<u>\$ 10,845,389</u>	<u>\$ 10,981,080</u>

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,637,080	\$ 959,520
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	177,170	119,409
Paycheck Protection Program loan forgiveness	(1,145,016)	-
Donation of property and equipment	-	(1,183)
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	330,880	(302,114)
Prepaid expenses	(145,532)	248,870
Deposits	(416,667)	(19,687)
Accounts payable and accrued expenses	(425,622)	468,268
Accrued payroll and benefits	(381)	160,263
Deferred revenue	(5,409)	(3,491)
Deferred lease liability	(20,869)	204
NET CASH PROVIDED FROM OPERATING ACTIVITIES	985,634	1,630,059
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(1,152,960)	(223,624)
NET CASH USED FOR INVESTING ACTIVITIES	(1,152,960)	(223,624)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on loan payable	-	1,145,016
NET CASH PROVIDED FROM FINANCING ACTIVITIES	-	1,145,016
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(167,326)	2,551,451
Cash, cash equivalents and restricted cash at beginning of year	5,305,146	2,753,695
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 5,137,820</u>	<u>\$ 5,305,146</u>

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

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

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. On February 24, 2020, the Charter School was granted an extension of the provisional charter for an additional term of four years, renewable upon expiration on June 30, 2024.

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.

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Charter School’s State and local per pupil operating revenue qualifies as exchange transactions and the revenues are recognized over time.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

State and local per pupil revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	<u>June 30,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contracts receivable	\$ 29,428	\$ 98,892	\$ -
Deferred revenue	12,439	17,848	-

Contributions (Fundraising)

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position and amounted to \$68,973 and \$414,857 at June 30, 2021 and 2020, respectively. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. The Charter School received cost-reimbursement grants of approximately \$46,600 and \$10,000 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

Cash, cash equivalents and cash in escrow

Cash and cash equivalents balances include demand deposit accounts and certain money market accounts, and 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 and cash equivalents.

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. Upon the renewal of the provisional charter on February 24, 2020, the required balance of the escrow increased to \$100,000 to be funded by December 31, 2021. The Charter School fully funded this additional amount during the year ended June 30, 2020.

Cash and cash equivalents and cash in escrow at June 30, 2021 and 2020 consisted of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,037,772	\$ 5,205,098
Cash in escrow	<u>100,048</u>	<u>100,048</u>
	<u>\$ 5,137,820</u>	<u>\$ 5,305,146</u>

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, 2021 or 2020.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

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 two 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.

The Charter School received donated property and equipment during the years ended June 30, 2021 and 2020. 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, 2021 and 2020 at \$3,049 and \$1,183, respectively. These amounts are 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, 2018 through June 30, 2021 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 \$290,700 and \$346,200 for the years ended June 30, 2021 and 2020, respectively.

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, 2021

(With Comparative Totals for 2020)

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

New accounting pronouncements:

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 FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. 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.

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School is currently evaluating the provisions of this update to determine the impact it will have on the Charter School’s financial statements.

Comparatives for the year ended June 30, 2020

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, 2020, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform with the 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 October 13, 2021, 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, 2021

(With Comparative Totals for 2020)

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 years 2021 and 2020.

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, 2021 and 2020:

	June 30,	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,037,772	\$ 5,205,098
Grants and other receivables	<u>98,401</u>	<u>429,281</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,136,173</u>	<u>\$ 5,634,379</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 375,266	\$ 332,633
Leasehold improvements	61,447	61,447
Office equipment	38,118	38,118
Construction in progress	1,108,662	-
Computers and equipment	<u>466,658</u>	<u>464,993</u>
	2,050,151	897,191
Less accumulated depreciation and amortization	<u>658,714</u>	<u>481,544</u>
	<u>\$ 1,391,437</u>	<u>\$ 415,647</u>

At June 30, 2021, \$1,108,662 of construction in progress relates to improvements for a future school facility. No provision for depreciation is made on construction in progress until such time as the relevant asset are completed and put into use. There is approximately \$5,000,000 in future construction commitments related to this new facility.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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 for both of the years ended June 30, 2021 and 2020.

On December 18, 2020, the Charter School signed a lease with a third party for a new facility. The lease will have a fifteen-year term with rent payments commencing on July 1, 2021 through June 30, 2036. The base rent is the greater of \$2,500,000 annually for the initial five years with 5% increases every five years or the rental assistance amount.

The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 2,500,000
2023	2,500,000
2024	2,500,000
2025	2,500,000
2026	2,500,000
Thereafter	<u>26,906,250</u>
	<u>\$ 39,406,250</u>

The total amount of rental payments due over the lease terms will be charged to rent expense on the straight-line method over the term of the leases. The difference between rent expense recorded and the amount paid will be credited or charged to "deferred lease liability" in the accompanying statement of financial position.

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>
2022	\$ 600

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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.

NOTE G: CONCENTRATIONS

Approximately 30% and 26% of grants and other receivable are due from New York State agencies at June 30, 2021 and 2020, respectively. Approximately 70% and 74% of grants and other receivables are due from the federal government relating to certain grants at June 30, 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, approximately 86% and 95%, 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 \$41,000 and \$42,000 to the Plan for the years ended June 30, 2021 and 2020, 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: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	<u>2021</u>	<u>2020</u>
Undesignated	\$ 5,557,770	\$ 3,896,480
Invested in property and equipment	<u>1,391,437</u>	<u>415,647</u>
	<u>\$ 6,949,207</u>	<u>\$ 4,312,127</u>

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE K: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, in May 2020 the Organization applied for and was approved by a bank for a loan of \$1,145,016 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 2 years and an interest rate of 1%. The loan had the potential for forgiveness provided certain requirements are met by the Organization. The loan was funded on May 21, 2020. In June 2021, the Small Business Administration approved the forgiveness of the loan and all accrued interest, which is reported as Paycheck Protection Program loan forgiveness on the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$287,771 of revenue relative to ESSER grants during the year ended June 30, 2021.

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, 2021, 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 October 13, 2021.

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
October 13, 2021