ALBANY COMMUNITY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Albany Community Charter School
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Albany Community Charter School (a nonprofit organization) (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years 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 audits. We conducted our audits 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 audits 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 Albany Community Charter School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 29, 2020 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 those reports 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. Those reports are 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.

Cusack & Company, CPA's LLC

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 29, 2020

ASSETS

	2020	2019
Current Assets		
Cash	$ 7,225,399	$ 5,348,579
Grants, Contracts and Accounts Receivable - Net	248,909	644,462
Inventory	175,846	32,186
Total Current Assets	7,650,154	6,025,227
Restricted Deposits		
Debt Service Reserve	337,010	280,333
Replacement Reserve	23,085	23,053
Total Restricted Deposits	360,095	303,386
Property and Equipment - Net	12,227,757	12,565,331
Other Assets		
Cash - Board Designated	75,050	75,050
Security Deposits	3,280	3,280
Total Other Assets	78,330	78,330
Total Assets	$ 20,316,336	$ 18,972,274

LIABILITIES AND NET ASSETS

	2020	2019
Current Liabilities		
Current Portion of Long-Term Debt	$ 348,699	$ 326,525
Accounts Payable and Accrued Expenses	120,699	176,770
Accrued Payroll and Benefits	199,981	862,831
Refundable Advances	1,151,800	-
Total Current Liabilities	1,821,179	1,366,126
Long-Term Liabilities		
Long-Term Debt, Net of Current Portion	8,523,324	8,856,635
Total Liabilities	10,344,503	10,222,761
Net Assets		
Without Donor Restrictions		
Undesignated	9,536,688	8,371,077
Mortgage Restricted	360,095	303,386
Board Designated	75,050	75,050
Total Net Assets	9,971,833	8,749,513
Total Liabilities and Net Assets	$ 20,316,336	$ 18,972,274

	2020	**2019**
Revenue		
Public School District		
Resident Student Enrollment	$ 9,931,508	$ 9,698,750
Students with Disabilities	36,845	65,391
Grants and Contracts		
Federal Grants	325,867	357,699
State and Local Grants	-	176,896
Food Service/Children Nutrition Program	343,172	462,174
Total Revenue	10,637,392	10,760,910
Expenses		
Program Services		
Regular Education	6,970,067	7,540,392
Special Education	237,730	304,738
Other Programs	1,062,651	1,188,077
Total Program Services	8,270,448	9,033,207
Management and General	1,245,301	1,157,951
Total Operating Expenses	9,515,749	10,191,158
Surplus from School Operations	1,121,643	569,752
Other Revenue		
Interest Income	6,520	6,172
E-rate Income	74,208	28,040
Miscellaneous Income	19,949	16,411
Total Other Revenue	100,677	50,623
Increase in Net Assets	1,222,320	620,375
Net Assets, Beginning of Year	8,749,513	8,129,138
Net Assets, End of Year	$ 9,971,833	$ 8,749,513

	2020	2019
Cash Flows Provided by (Used in) Operating Activities:		
Increase in Net Assets	$ 1,222,320	$ 620,375
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Amortization of Debt Issuance Costs	4,862	4,862
Depreciation	423,715	400,100
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Assets		
Grants, Contracts and Accounts Receivable	395,553	(136,574)
Inventory	(143,660)	5,314
Prepaid Expense	-	13,863
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(56,071)	5,451
Accrued Payroll and Benefits	(662,850)	120,359
Refundable Advances	1,151,800	(1,150,035)
Net Cash Provided by (Used in) Operating Activities	2,335,669	(116,285)
Cash Flows Used in Investing Activities		
Purchase of Property and Equipment	(86,141)	(190,615)
Cash Flows Used in Financing Activities		
Repayments of Long-Term Debt	(315,999)	(308,224)
Net Increase (Decrease) in Cash	1,933,529	(615,124)
Cash, Beginning of Year	5,727,015	6,342,139
Cash, End of Year	$ 7,660,544	$ 5,727,015
Supplemental Disclosure of Financial Information:		
Cash Paid During the Year for:		
Interest	$ 590,010	$ 633,617

Note: Cash includes operations, restricted and board designated accounts.

	Program Services				Supporting Services	
	Regular Education	**Special Education**	**Other Programs**	**Total**	**Management and General**	**Total**
Administrative Personnel	$ 196,287	$ -	$ -	$ 196,287	$ 785,150	$ 981,437
Instructional Personnel	3,540,236	108,774	-	3,649,010	-	3,649,010
Non-Instructional Personnel	-	-	468,914	468,914	6,845	475,759
Total Salaries	3,736,523	108,774	468,914	4,314,211	791,995	5,106,206
Fringe Benefits and Payroll Taxes	1,092,270	28,252	-	1,120,522	205,703	1,326,225
Retirement	86,148	2,228	-	88,376	16,224	104,600
Interest Expense	485,193	12,550	57,895	555,638	39,234	594,872
Legal Service	803	21	-	824	151	975
Accounting and Audit Services	19,993	517	-	20,510	3,765	24,275
Other Purchased, Professional and Consulting Services	161,366	49,493	-	210,859	38,709	249,568
Repairs and Maintenance	351,317	9,087	41,515	401,919	24,647	426,566
Insurance	123,540	3,195	14,599	141,334	8,667	150,001
Utilities	70,682	1,828	8,352	80,862	4,959	85,821
Supplies and Materials	112,438	2,908	14,056	129,402	15,026	144,428
Equipment and Furnishings	47,869	1,238	-	49,107	9,015	58,122
Staff Development	64,991	1,681	-	66,672	-	66,672
Marketing and Recruitment	41,931	1,085	-	43,016	7,897	50,913
Technology	40,619	1,051	-	41,670	7,650	49,320
Food Service	-	-	156,311	156,311	-	156,311
Student Services	116,862	3,023	294,038	413,923	-	413,923
Office Expense	58,995	1,526	6,971	67,492	4,139	71,631
Depreciation	348,969	9,026	-	357,995	65,720	423,715
Other	9,558	247	-	9,805	1,800	11,605
Total Expenses	$ 6,970,067	$ 237,730	$ 1,062,651	$ 8,270,448	$ 1,245,301	$ 9,515,749

ALBANY COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services	
	Regular Education	**Special Education**	**Other Programs**	**Total**	**Management and General**	**Total**
Administrative Personnel	$ 178,722	$ -	$ -	$ 178,722	$ 714,888	$ 893,610
Instructional Personnel	3,990,690	134,655	-	4,125,345	-	4,125,345
Non-Instructional Personnel	-	-	421,509	421,509	58,574	480,083
Total Salaries	4,169,412	134,655	421,509	4,725,576	773,462	5,499,038
Fringe Benefits and Payroll Taxes	1,075,072	31,533	-	1,106,605	181,124	1,287,729
Retirement	85,436	2,506	-	87,942	14,394	102,336
Interest Expense	528,316	15,496	67,956	611,768	26,711	638,479
Legal Service	1,433	42	-	1,475	241	1,716
Accounting and Audit Services	11,792	346	-	12,138	1,987	14,125
Other Purchased, Professional and Consulting Services	213,480	77,471	-	290,951	47,622	338,573
Repairs and Maintenance	347,835	10,202	44,344	402,381	14,258	416,639
Insurance	125,031	3,667	15,940	144,638	5,125	149,763
Utilities	74,530	2,186	9,502	86,218	3,054	89,272
Supplies and Materials	124,489	3,651	16,783	144,923	12,765	157,688
Equipment and Furnishings	4,246	125	-	4,371	716	5,087
Staff Development	54,964	1,612	-	56,576	-	56,576
Marketing and Recruitment	67,672	1,985	-	69,657	11,401	81,058
Technology	30,256	887	-	31,143	5,097	36,240
Food Service	-	-	197,308	197,308	-	197,308
Student Services	226,145	6,633	407,291	640,069	-	640,069
Office Expense	58,390	1,713	7,444	67,547	2,393	69,940
Depreciation	334,027	9,797	-	343,824	56,276	400,100
Other	7,866	231	-	8,097	1,325	9,422
Total Expenses	$ 7,540,392	$ 304,738	$ 1,188,077	$ 9,033,207	$ 1,157,951	$ 10,191,158

1. ORGANIZATION AND PURPOSE

Organization

Albany Community Charter School (the "School") is a New York not-for-profit organization preparing students for a lifetime of opportunity by helping them master a primary rigorous, standards-based curriculum focused on literacy and other foundational knowledge.

By aligning the efforts of all members of the school community - student, parent, teacher, principal, board, and civic organizations - we dramatically increase the chances students will be prepared to succeed when they move on to middle school, high school, college and into the workforce. To achieve that goal, the learning community at the School emphasizes achievement, respect and positive behavior.

A provisional charter, valid for five years, was granted to the School by the University of the State of New York pursuant to Article 56 of the Education Law of the State of New York. The School began providing educational services in the fall of 2006 for K-1st grades. The provisional charter allowed for an additional grade to be added in each subsequent year until the School reaches grades K-5. A charter renewal was granted in 2016 extending the school's operations for an additional five years (expires July 31, 2021). In January 2012, the School received approval to modify its charter renewal and add a middle school program to its existing elementary school program, adding grades 6 through 8 in subsequent years through June 30, 2017. As of June 30, 2020, the School had an enrollment of 660 students in K to 8^{th} grades.

The School is governed by a Board of Trustees in accordance with the School's by-laws.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies and Financial Statement Presentation

The following summarizes the significant accounting policies consistently applied in the preparation of the Organization's financial statements, with references to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) where applicable.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. This basis of accounting is in accordance with accounting principles generally accepted in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Grants, contributions and unconditional promises to give are measured at their fair values and reported as an increase in net assets. The School reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. The School reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized in accordance with a five-step model as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation(s) in the contract
- Recognize revenue when or as performance obligations are satisfied

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2020 and 2019.

Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third party payors for the School contracts received related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding and other sources for the School contracts for services not yet performed that are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2020 and 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Directly identifiable expenses are charged to the programs and supporting services benefitted. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Administrative expenses include those expenses not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Grants, Contracts and Accounts Receivables

Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than 90 days. Management has recorded an allowance of $25,000 as of June 30, 2020 and 2019.

Conditional and Unconditional Promises to Give

At June 30, 2020 and 2019, the School had not received any conditional or unconditional promises to give.

Inventory

Inventory consists of student uniforms and clothing available for use in the school's everyday operation. The inventory is stated at the lower of cost (on a first-in, first-out basis) or market and is based on a physical inventory taken by management at June 30, 2020 and 2019.

Property, Equipment and Depreciation

Acquisitions of property and equipment in excess of $500 are capitalized and recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs not improving or extending the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets (ranging from 3 to 39 years) and is computed using the straight-line method.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the School and changes therein are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Advertising Costs

The School expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2020 and 2019 were $50,913 and $81,058, respectively.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as a school that is not a private foundation under Section 509(a).

Donated Services

The School received donated services from unpaid volunteers who assisted in fund raising, office administration and program activities. For the services donated, the criteria for recognition in these financial statements of such volunteer effort was not met and, therefore, no revenue and expense has been reflected in these financial statements. Management has estimated that volunteers have provided approximately 100 hours in assisting the School in each of the years ended June 30, 2020 and 2019, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

The ASC requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable input to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the School would receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants.

Accounting for Uncertainty in Income Taxes

The School follows the ASC, *Accounting for Income Taxes,* and their current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. The School has not recognized any benefits from uncertain tax positions in 2020 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheet date of June 30, 2020.

Forms 990 and state income tax returns filed by the School are subject to examination by taxing authorities up to three years after the extended due date of each return. Forms 990 and state income tax filings for the School are no longer subject to examination for the years ended June 30, 2016 and prior.

*New Accounting Pronouncement*s

<u>ASU No. 2014-09</u>

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), as modified by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, and ASU 2016-20, Technical Corrections and Improvements to Topic 606: Revenue from Contracts with Customers. The revenue recognition principle in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, new and enhanced disclosures are required. The School may adopt the new standard either using the full retrospective approach, a modified retrospective approach with practical expedients, or a cumulative effect upon the adoption approach. The School adopted the new standard using the modified retrospective approach. The adoption of ASU 2014-09 did not have a material impact on the School's financial statements and related disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

ASU No. 2016-18

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash (a consensus of the FASB Emerging Issues Task Force).* This ASU requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Current guidance does not specify how to present restricted cash and restricted cash equivalents in the statement of cash flows, thus there is diversity in practice. The amendments in ASU No. 2016-18 should be applied using a retrospective transition method to each period presented and are effective for nonpublic entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The School adopted this pronouncement using a retrospective transition method.

ASU No. 2018-08

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU primarily affects all not-for-profit organizations because contributions are a significant source of revenue for these entities. However, the amendments in this update apply to all entities, including business entities, that receive or make contributions of cash and other assets, including promises to give within the scope of Subtopic 958-605 and contributions made within the scope of Subtopic 720-25, Other Expenses - Contributions Made. The School adopted this ASU using the modified prospective basis. Under a modified prospective basis, agreements not completed as of the ASU effective date as well as agreements entered into after the ASU effective date apply.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncement

ASU No. 2016-02

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-to-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, as updated by ASU 2019-01, *Codification Improvements,* and ASU 2019-10, *Effective Dates,* issued in March and November 2019, respectively. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The School is currently evaluating the impact that ASU 2016-02 will have on the School's financial statements and related disclosures.

Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 financial statement presentation.

Subsequent Events

The School follows the ASC, *Subsequent Events,* which establishes general standards of accounting for, and disclosure of, events that occur after the date of the financial statements but before the financial statements are issued or are available to be issued. In the preparation of these financial statements and notes thereto, management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 29, 2020, the date the financial statements were available to be issued. The following events were identified.

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the School and its future financial position and results of operations is not presently determinable.

Effective July 1, 2020, the School's Board of Trustees has approved a Plan of Merger with a local charter school which is considered the surviving entity. As of that date, all operations of the School are effectively merged with the surviving entity.

3. RESTRICTED DEPOSITS AND DESIGNATED CASH

The School restricts cash for debt service and replacement of property as required by the lenders. The restricted deposits were $360,095 and $303,386 at June 30, 2020 and 2019, respectively, and are held in separate accounts. The debt service reserve is to be funded by the School on a monthly basis in the amount of $4,725 until the balance reaches $400,000. Upon renewal of the Schools's charter, the lenders will authorize the release of all amounts in excess of $200,000.

The School has internally designated cash in the amount of $75,050 as of June 30, 2020 and 2019. The intended purpose of this designation is to provide a dissolution escrow to cover costs associated with an unanticipated closure, as required by the School's Charter Agreement.

4. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE

At June 30, 2020 and 2019, grants, contracts and accounts receivable were comprised of the following funding sources:

	2020	2019
School District Tuition, Net	$ 41,691	$ 320,444
U.S. Department of Agriculture	6,888	88,999
U.S. Department of Education	200,330	233,253
Other Receivables	-	1,766
	$ 248,909	$ 644,462

5. PROPERTY AND EQUIPMENT

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2020 and 2019:

	2020	2019
Land	$ 550,000	$ 550,000
Building	12,668,885	12,668,885
Equipment	647,812	599,229
Furniture and Fixtures	430,391	400,883
Building Improvements	129,139	121,089
Total at Cost	14,426,227	14,340,086
Less: Accumulated Depreciation	(2,198,470)	(1,774,755)
	$ 12,227,757	$ 12,565,331

Depreciation expense was $423,715 and $400,100 for the years ended June 30, 2020 and 2019, respectively.

6. REFUNDABLE ADVANCES

On March 27, 2020 Congress passed the Coronavirus Aid, Relief and Economic Security (Cares) Act which was intended to provide fast and direct economic assistance for American workers, families, small businesses and preserve jobs for American industries. A component of the Cares Act is the Paycheck Protection Program (PPP) which provides qualified small businesses with a formula based low interest rate loan. These loans are to be repaid over the 2 year period subsequent to the initial disbursement, including a 6 month no-payment deferral period, and have the potential to be forgiven after 24 weeks if used for qualifying costs such as payroll, including health and pension benefits, as well as rent, utilities and qualified debt interest which are limited to 40% of the loan amount. The School applied for and received a PPP loan in the amount of $1,151,800 on April 20, 2020.

In June 2020, guidance was provided by the American Institute of Certified Public Accountants (AICPA) that PPP loans, if forgiveness is anticipated, should be accounted for as a conditional contribution until such time as this amount is formally forgiven. As of June 30, 2020 the School reported this amount as a refundable advance and will report contribution revenue when conditions of the advance are satisfied.

7. LONG-TERM DEBT

Long-term debt is comprised of the following at June 30:

	2020	2019
Loan payable to Local Initiatives Support Corporation ("LISC"), in monthly payments of $29,019, including interest at 7.10%, maturing in January 2043. Loan is collateralized by substantially al assets of the School.	$ 3,914,316	$ 3,981,303
Loan payable to Low Income Investment Fund ("LIIF"), in monthly payments of $22,601, including interest at 6%, maturing December 2024. The School will be responsible for the payment of the balloon or seeking alternative financing in 2024. Loan is collateralized by substantially al assets of the School.	2,414,181	2,524,201
Loan payable to Capital Impact Partners ("CIP"), in monthly payments of $25,764, including interest at 6%, maturing December 2024. The School will be responsible for the payment of the balloon or seeking alternative financing in 2024. Loan is collateralized by substantially al assets of the School.	2,713,730	2,852,721
Total	9,042,227	9,358,225
Less: unamortized debt issuance costs, net	(170,204)	(175,065)
Less: current portion	(348,699)	(326,525)
Long-term debt, net of current portion and unamortized debt issuance costs.	$ 8,523,234	$ 8,856,635

7. LONG-TERM DEBT (CONTINUED)

Unamortized debt issuance costs as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Transaction and Financing Costs - Thirty-Nine Year Amortization	$ 189,605	$ 189,605
Less: Accumulated Amortization	(19,401)	(14,540)
Unamortized Debt Issuance Costs, Net	$ 170,204	$ 175,065

Estimated debt maturities at June 30 over the next five (5) years are as follows:

2021	$ 348,699
2022	371,294
2023	395,367
2024	382,320
2025	4,042,779
Thereafter	3,501,768
	$ 9,042,227

The loan with LISC may be prepaid, in whole or in part, in minimum increments of at least $100,000, only if such prepayment is accompanied by payment of a breakage fee equal to the cost to LISC of the breakage fee due under the Community Development Financial Institution (CDFI).

The loans with LIIF and CIP may be prepaid, in whole or in part, subject to a prepayment premium based on various interest rates applicable on such dates. Management estimates that a prepayment premium would approximate 1% of the balance which is prepaid.

The School is required to maintain debt covenants by the lenders on the loans payable. As of June 30, 2020, the School was in compliance with all applicable covenants.

8. RETIREMENT PLAN

The School has adopted a profit-sharing plan under IRC §401(k) covering all eligible employees. The School contributes a matching contribution to each eligible employee's profit-sharing plan at the rate of 4% of the employee's gross compensation for the calendar year. The School's retirement plan expense for the years ended June 30, 2020 and 2019 was $104,600 and $102,336, respectively.

9. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where students reside. Three school districts comprised approximately 81% of total revenue and support for both of the years ended June 30, 2020 and 2019. No other funding sources accounted for more than 10% of total revenue and support.

9. CONCENTRATION OF RISK (CONTINUED)

The School maintains deposits in excess of federal insured limits. The ASC identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

The School has $7,474,308 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of $7,225,399 and receivables of $248,909. The School has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $1,600,000. The School has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the School invests cash in excess of daily requirements in various short-term investments, including money market deposits.

ADDITIONAL REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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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
Albany Community Charter School
Albany, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Albany Community Charter School (a nonprofit organization) (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2020.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Cusack & Company, CPA's LLC

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 29, 2020

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October 29, 2020

To the Board of Trustees
Albany Community Charter School
Albany, New York

We have audited the financial statements of Albany Community Charter School for the year ended June 30, 2020, and have issued our report thereon dated October 29, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. As described in Note 2, the School changed the accounting policies related to exchange transactions by adopting FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. The School also changed the accounting policies for presentation of restricted cash and equivalents by adopting FASB Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*. Accordingly, the accounting change has been applied on a retrospective basis to all periods presented. The School also changed the accounting policies for reporting of contributions received and contributions made by adopting FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, the accounting change has been applied on a modified prospective basis. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. There were no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. 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 except as noted in Schedule 1, as applicable.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2020.

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.

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.

This information is intended solely for the use of the board of trustees and management of Albany Community Charter School and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Cusack & Company, CPA's LLC

CUSACK & COMPANY, CPAS, LLC