

# **Opportunity Charter School**

Financial Report  
June 30, 2020

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Opportunity Charter School

### Report on the Financial Statements

We have audited the accompanying financial statements of Opportunity Charter School (the Charter School), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Charter School as of June 30, 2020, 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.

**Emphasis of Matter**

As further discussed in Note 9 to the financial statements, the Charter School's authorizer, the New York City Department of Education, has recommended renewal of the charter effective July 1, 2017, with the condition that the Charter School eliminate grades six, seven and eight. The Charter School has challenged this condition in court and the Charter School is continuing to operate all grades. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited the Charter School's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**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 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 solely 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 the Charter School's internal control over financial reporting and compliance.

*RSM US LLP*

New York, New York  
October 29, 2020

**Opportunity Charter School**

**Statement of Financial Position**

**June 30, 2020**

**(with summarized comparative information as of June 30, 2019)**

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 3,883,862	\$ 1,788,391
Restricted cash	76,318	76,203
Accounts receivable	382,993	238,198
Prepaid expenses and other	221,471	227,354
Property and equipment, net	197,658	334,430
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<b>Total assets</b>	<b>\$ 4,762,302</b>	<b>\$ 2,664,576</b>
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<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 992,360	\$ 1,092,934
Due to funder	87,872	13,527
Deferred rent	11,699	18,393
Capital lease obligations	-	9,250
Paycheck Protection Program loan payable	1,451,790	-
<b>Total liabilities</b>	<b>2,543,721</b>	<b>1,134,104</b>
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	2,218,156	1,530,472
With donor restrictions	425	-
<b>Total net assets</b>	<b>2,218,581</b>	<b>1,530,472</b>
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<b>Total liabilities and net assets</b>	<b>\$ 4,762,302</b>	<b>\$ 2,664,576</b>
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See notes to financial statements.

**Opportunity Charter School**

**Statement of Activities**

**Year Ended June 30, 2020**

**(with summarized comparative information for the year ended June 30, 2019)**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Comparative Total
Operating revenue:				
State and local per pupil operating revenue	\$ 11,616,142	\$ -	\$ 11,616,142	\$ 11,643,352
Government grants	606,792	-	606,792	537,949
<b>Total operating revenue</b>	<b>12,222,934</b>	<b>-</b>	<b>12,222,934</b>	<b>12,181,301</b>
Operating expenses:				
Program services:				
General education	3,289,608	-	3,289,608	3,411,027
Special education	7,004,192	-	7,004,192	7,884,767
General and administrative	1,256,543	-	1,256,543	1,397,918
<b>Total operating expenses</b>	<b>11,550,343</b>	<b>-</b>	<b>11,550,343</b>	<b>12,693,712</b>
<b>Net surplus/(deficit) from school operations</b>	<b>672,591</b>	<b>-</b>	<b>672,591</b>	<b>(512,411)</b>
Support and other revenue (expenses):				
Contributions	17,738	-	17,738	15,850
Event income	-	17,075	17,075	40,344
Net assets released from restrictions - satisfaction of purpose restriction	16,650	(16,650)	-	-
Other income	20,984	-	20,984	12,909
Fundraising expenses	(40,279)	-	(40,279)	(117,800)
<b>Total support and other revenue (expenses)</b>	<b>15,093</b>	<b>425</b>	<b>15,518</b>	<b>(48,697)</b>
<b>Change in net assets</b>	<b>687,684</b>	<b>425</b>	<b>688,109</b>	<b>(561,108)</b>
Net assets:				
Beginning	1,530,472	-	1,530,472	2,091,580
Ending	\$ 2,218,156	\$ 425	\$ 2,218,581	\$ 1,530,472

See notes to financial statements.

Opportunity Charter School

Statement of Functional Expenses

Year Ended June 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

	2020							2019 Summarized Comparative Total
	Program Services			Supporting Services			Total	
	General Education	Special Education	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries	\$ 2,173,145	\$ 4,699,931	\$ 6,873,076	\$ 328,794	\$ 23,474	\$ 352,268	\$ 7,225,344	\$ 7,772,249
Employee benefits and payroll taxes	772,396	1,670,357	2,442,753	116,835	8,217	125,052	2,567,805	2,701,647
Classroom supplies and other instructional materials	33,620	54,484	88,104	-	-	-	88,104	205,252
Texts and instructional materials	26,982	43,632	70,614	-	-	-	70,614	135,645
Professional development	6,773	11,051	17,824	-	-	-	17,824	127,354
Accounting and financial audit	-	-	-	237,883	-	237,883	237,883	163,819
Computer and other consultants	106,970	195,457	302,427	157,821	2,939	160,760	463,187	732,608
Insurance	2,185	3,564	5,749	185,506	-	185,506	191,255	132,740
Legal and other filing fees	-	-	-	175,238	-	175,238	175,238	161,986
Office equipment and other supplies	3,112	6,730	9,842	29,430	33	29,463	39,305	72,170
Postage and delivery	2,530	5,471	8,001	383	27	410	8,411	12,085
Recruitment and marketing	14,009	24,307	38,316	5,586	5,144	10,730	49,046	90,983
Repairs and maintenance	-	-	-	288	-	288	288	1,337
Facility costs and utilities	71,610	154,861	226,471	15,960	246	16,206	242,677	253,013
Interest expense	163	354	517	25	2	27	544	1,002
Depreciation and amortization	76,113	133,993	210,106	2,794	197	2,991	213,097	247,622
	<b>\$ 3,289,608</b>	<b>\$ 7,004,192</b>	<b>\$ 10,293,800</b>	<b>\$ 1,256,543</b>	<b>\$ 40,279</b>	<b>\$ 1,296,822</b>	<b>\$ 11,590,622</b>	<b>\$ 12,811,512</b>

See notes to financial statements.

**Opportunity Charter School**

**Statement of Cash Flows**

**Year Ended June 30, 2020**

**(with summarized comparative information for the year ended June 30, 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 688,109	\$ (561,108)
Adjustments to reconcile change in net assets to net cash used in (provided by) operating activities:		
Depreciation and amortization	213,097	247,622
Loss on disposal of equipment	-	2,380
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(144,795)	125,596
Decrease in prepaid expenses and other	5,883	16,630
(Decrease) increase in accounts payable and accrued expenses	(100,574)	53,540
Increase in due to funder	74,345	-
Increase in deferred rent	(6,694)	(2,112)
<b>Net cash provided by (used in) operating activities</b>	<b>729,371</b>	<b>(117,452)</b>
Cash flows from investing activity:		
Acquisition of property and equipment	(76,325)	(144,827)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan payable	1,451,790	-
Payment on capital lease obligations	(9,250)	(14,097)
<b>Net cash provided by (used in) financing activities</b>	<b>1,442,540</b>	<b>(14,097)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,095,586</b>	<b>(276,376)</b>
Cash, cash equivalents, and restricted cash:		
Beginning	1,864,594	2,140,970
Ending	\$ 3,960,180	\$ 1,864,594
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 544	\$ 1,002

See notes to financial statements.



## Opportunity Charter School

### Notes to Financial Statements

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#### Note 1. Principal Business Activity

Opportunity Charter School (the Charter School) is an educational corporation that operates a charter school in the borough and county of Manhattan, New York. The Charter School was granted a charter valid for a term of five years from May 18, 2004 that is renewable by the Board of Regents of the University of the State of New York. In May 2012, the Charter School was awarded its third renewal, which is a five-year renewal, which expired on June 30, 2017. During the year ended June 30, 2018, the Charter School was recommended for a short term renewal of three years for its high school only with conditions consistent with the terms of the renewal application (please refer to Note 9).

The Charter School was established to prepare underserved middle and high school students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations. The Charter School is unique in that each year it accepts an incoming grade of students, more than half of whom have been classified by their previous schools as requiring special education services. Fostering true democratic principles, the Charter School successfully educates all students together in a general education setting.

In fiscal year 2020 and 2019, the Charter School operated classes for students in grades six through twelve.

The New York City Department of Education (NYC DOE) provides free lunches to all students and transportation directly to a majority of the Charter School's students. Such costs are not included in these financial statements.

On January 30, 2020 the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID -19 a pandemic. The impact of COVID-19 could negatively impact the Charter School's operations, suppliers, or other vendors, and student base. Any quarantines, labor shortages or other disruptions to the Charter School's operations, or those of its students, may adversely impact the Charter School's revenues, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic, or contagious disease in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Charter School operates, resulting in an economic downturn that could affect demand for its services. The extent to which the coronavirus impacts the Charter School's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. As of October 29, 2020 the coronavirus has not materially impacted the Charter School's results of operations.

#### Note 2. Summary of Significant Accounting Policies

**Basis of presentation:** The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*.

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset classification. In addition, the statement of functional expenses includes certain prior-year summarized comparative information in total but not by its functional classification. Such statements do not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Charter School's 2019 financial statements from which the summarized information was derived.

## Opportunity Charter School

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**Net assets:** Under ASC 958, the Charter School is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions represent resources over which the Charter School has discretionary control to use.

Net assets with donor restrictions contain donor-imposed restrictions that require the Charter School to use or expend the assets as specified by the donor.

**Accounting estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** For the purposes of the statement of cash flows, cash and cash equivalents consist of money market accounts and any short-term investments with a maturity of 90 days or less (at the time purchased).

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

The Charter School maintains a separate account, pursuant to its charter agreement, with a balance of \$76,318 and \$76,203 at June 30, 2020 and 2019, respectively, to pay off expenses in the event of dissolution of the Charter School.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash within the statement of financial position that sum to the total of such amounts shown in the statement of cash flows as of June 30:

	2020	2019
Cash and cash equivalents	\$ 3,883,862	\$ 1,788,391
Restricted cash	76,318	76,203
Total cash, cash equivalents, and restricted cash shown in the statement of cashflows	<u>\$ 3,960,180</u>	<u>\$ 1,864,594</u>

**Property and equipment:** Property and equipment is recorded at cost and donated assets at their fair values as of the date received. Additions and improvements in excess of \$1,000 with an estimated useful life of three years or more are capitalized. Expenditures for maintenance are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the respective assets. The Charter School did not receive any donated equipment during the years ended June 30, 2020 and 2019, respectively.

**Revenue recognition:** Contributions are recognized as revenue in the year a pledge is received and documented. Contributions and unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor.

## Opportunity Charter School

### Notes to Financial Statements

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions, which increases that net asset class. When the specified purpose of donor-restricted contributions is met, the net asset is released from restrictions and transferred to net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value as of date received. 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. Federal, state and local funds obligated under government grant agreements are recorded by the Charter School when the expenditures are incurred and billable to the government or when required services have been provided.

All the Charter School's accounts receivable are expected to be collected within one year. The Charter School estimates an allowance for bad debts based on historical bad debt factors related to the donor's ability to pay and current economic trends. As of June 30, 2020 and 2019, no allowance was deemed necessary.

Contributed services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. The Charter School did not receive any donated services for the years ended June 30, 2020 and 2019.

**Functional expenses:** The Charter School's program services consist of both general education and special education costs. General education includes costs incurred directly in connection with the Charter School providing a rigorous extended-year college preparatory middle school and high school education. Special education includes costs incurred for the Charter School to provide certain students with additional assistance.

Program services, management and general, and fundraising expenses have been recorded on the statement of functional expenses based on either a direct costing method for those expenses directly attributable to a particular program or supporting service function or on an allocation basis. Such allocations are determined by management and allocated on a reasonable basis that is consistently applied.

All expenses are considered for functional allocation. Any line item that is specifically identifiable to one or more areas (Program and Supporting Services) are coded directly to the respective area. Salary expense is allocated based on estimates of time spent. Taxes and benefits follow the same proportion as salaries, and any other than personal services (OTPS) lines that are incurred by or benefit all staff are given the exact same allocation proportion as salaries. Pupil expenses, and any remaining OTPS expenses for staff that are only in the Program area are allocated fully to Program, and split accordingly to General Education and Special Education based on student full time equivalent (FTE) population per the Final Pupil Reconciliation for the current audit year.

**Income taxes:** The Charter School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter School is not classified as a private foundation. The Charter School is subject to taxes on unrelated business income (UBIT), if applicable. For the tax year ended June 30, 2019, the Charter School paid \$13,354 in UBIT, which is to be refunded, pursuant to the 2020 repeal of UBIT on certain pretax benefits.

Management evaluated the Charter School's tax positions and concluded that the Charter School had taken no uncertain tax positions that require adjustment to the financial statements. Generally, the Charter School is no longer subject to income tax examinations by U.S. federal, state, or local tax authorities for tax years before 2017, which is the standard statute of limitations look-back period.

## Opportunity Charter School

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**Subsequent events:** The Charter School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available to be issued, which was October 29, 2020 for these financial statements.

**Recently issued accounting pronouncements:** In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to students. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (topic 606) and leases (topic 842): Effective dates for certain entities*, which delayed the implementation date, whereby this standard will be effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years. The Charter School is currently evaluating the impact of the adoption of this standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expenses recognition in the statement of activities. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (topic 606) and leases (topic 842): Effective dates for certain entities*, which delayed the implementation date, whereby this standard will be effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. The Charter School is currently evaluating the impact of the adoption of this standard on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standards for financial assets measured at amortized costs and available-for-sale debt securities. The ASU requires financial assets measured at amortized costs (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December, 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Charter School is currently evaluating the impact of adopting this new guidance on its financial statements.

In September, 2020, the FASB issued ASU 2020-07, *Not for Profit Entities (Topic 958): Presentation and disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not for profit entities to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. Contributed nonfinancial assets are to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Disclosure requirements have also been added on disaggregated contributed nonfinancial assets by type. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after June 15, 2021 and interim periods within those fiscal years beginning after June 15, 2022. Early application of the amendments is permitted. The amendments in this Update should be applied on a retrospective basis. The amendments in this Update should be applied on a retrospective basis. The

## Opportunity Charter School

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Charter School is currently evaluating the impact of adopting this new guidance on its financial statements.

**Recently adopted accounting pronouncement:** During the year ended June 30, 2020, the Charter School adopted ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profit to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Additionally, the ASU provides for earlier effective dates for public business entities. As the Charter School is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The adoption of the new standard did not have an impact on the financial statements.

During the year ended June 30, 2020, the Charter School adopted ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods beginning after December 15, 2018. The adoption of the new standard did not have an impact on the financial statements.

#### Note 3. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following at June 30:

	2020	2019	Estimated Useful Life
Classroom equipment	\$ 751,051	\$ 707,048	3 years
Classroom furniture	93,225	93,224	5 years
Nonclassroom equipment	314,181	283,945	3 to 5 years
Nonclassroom furniture	34,405	32,320	5 years
Equipment obtained under capital leases	64,843	64,843	5 years
Building improvement	207,037	207,037	5 years
	<u>1,464,742</u>	<u>1,388,417</u>	
Less accumulated depreciation and amortization	(1,267,084)	(1,053,987)	
	<u>\$ 197,658</u>	<u>\$ 334,430</u>	

#### Note 4. Employee Benefit Plan

The Charter School is a participating employer in the Teachers' Retirement System of the City of New York (the Plan), a cost-sharing multiple-employer public employee retirement system that provides pension benefits for all the teachers and administrative personnel employed by the NYC DOE and certain employees of Charter Schools and the City University of New York. As a participating employer of the Plan, the School is not permitted to withdraw from the Plan.

## Opportunity Charter School

### Notes to Financial Statements

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#### Note 4. Employee Benefit Plan (Continued)

Employer contributions to the Plan are determined by the Plan's Chief Actuary of the Office of the Actuary in accordance with the State statutes and City laws, and include amounts to reduce the Plan's underfunding. During the years ended June 30, 2020 and 2019, the Charter School contributed \$809,412 and \$795,393, respectively, to the Plan.

The audited financial statements of the Plan, as of and for the year ended June 30, 2019, reported total assets of \$85,076,959,000. The funded status of the Plan as of June 30, 2019, the most recent actuarial valuation date, is as follows:

	Amounts (in Thousands)
Actuarial value of assets	\$ 44,381,706
Actuarial accrued liability	69,552,380
Unfunded actuarial accrued liability	<u>\$ (25,170,674)</u>
Funded status	<u>63.8%</u>

#### Note 5. Net Assets With Donor Restrictions

As of June 30, 2020, there were \$425 in net assets with donor restrictions (none as of June 30, 2019). During fiscal years 2020 and 2019, the Charter School released \$16,650 and \$40,344, respectively, from net assets with donor restrictions for various school programs.

#### Note 6. Liquidity and Availability of Financial Assets

The following reflects the Charter School's financial assets available within one year of the balance sheet date for general expenditures over the next 12 months, reduced by amounts not available for general use because of contractual or donor-imposed restrictions in excess of one year of the balance sheet date, as of June 30:

	2020	2019
Cash and cash equivalents	\$ 3,883,862	\$ 1,788,391
Accounts receivable	382,993	238,198
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,266,855</u>	<u>\$ 2,026,589</u>

The Charter School regularly monitors the cash balance to ensure sufficient liquidity exists to meet its operating needs as well as other commitments and obligations over the next 12 months.

The Charter School receives from the DOE regular and timely cash payments every two months for its Program Services Revenue. The Charter School has never encountered difficulty meeting its short-term cash needs as they arose, and continues to expect that short-term cash flow and meeting cash needs will not be a concern for the Charter School.

## Opportunity Charter School

### Notes to Financial Statements

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#### Note 7. Facilities

As part of the New York City Chancellor's Charter School Initiative, the NYC DOE has committed space to charter schools within existing public schools. Beginning with fiscal year 2007, the NYC DOE has facilitated Shared Use Agreements with charter schools outlining services and facility offerings to charter schools for a five-year period. Beginning with fiscal year 2012, the NYC DOE renewed the Shared Use Agreement for a five-year period that expired on June 30, 2017. Currently the Charter School awaits the renewal of the Shared Use Agreement from NYC DOE and continues to operate in the same location for fiscal year 2020. The Charter School shares space at a public school building and utilizes approximately 20,800 square feet at no cost to the Charter School.

#### Note 8. Commitments

During fiscal year 2016, the Charter School entered into a lease agreement for additional classrooms in New York City under an operating lease that expires on April 30, 2021 with an additional five-year renewal option. The Charter School occupied the lease space on April 20, 2016 and the lease is subject to rent escalations. In addition, during fiscal year 2017, the Charter School entered into a lease agreement for its administrative office in New York City under an operating lease that expires on September 30, 2021.

As of June 30, 2020, future aggregate minimum lease payments are as follows:

Years ending June 30:	
2021	\$ 149,267
2022	21,947
	<u>\$ 171,214</u>

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required by the lease. As of June 30, 2020 and 2019, there was \$11,699 and \$18,393, respectively, of deferred rent obligations included on the statement of financial position.

For the years ended June 30, 2020 and 2019, rent expense amounted to approximately \$151,000.

As part of the Charter School's lease agreement, the Charter School was required to pay a security deposit of \$46,948 which is included in prepaid expenses and other in the statement of financial position.

#### Note 9. Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

Various claims and regulatory reviews arise in the ordinary course of the Charter School's activities. Based upon information currently available, management believes that any liability arising therefrom will not materially affect the financial position or operations of the Charter School.

## Opportunity Charter School

### Notes to Financial Statements

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#### **Note 9. Contingencies (Continued)**

The Charter School's charter was recommended for renewal by its authorizer, the NYC DOE, for three years to June 30, 2020 on the condition that the Charter School close its middle school, grades six through eight. Several parents and the Charter School brought a civil action, challenging the closure condition imposed by the NYC DOE. The suit raises significant questions regarding the NYC DOE's use of one standard to assess the academic standards of all its schools and its continued rejection of alternative measures to judge unique student populations served by schools like the Charter School. The New York State Supreme Court (the Court) issued a Temporary Restraining Order which prevents the NYC DOE from moving forward with any closure action of the middle school until the Court can take a full review of the merits of the many issues raised in the civil lawsuit. As a result, the middle school remains open and operating for the 2020- 2021 school year. The Charter School is legally operating and awaits the appropriate charter renewal agreement to be delivered by its authorizer, the NYC DOE, so it can execute the agreement.

#### **Note 10. Paycheck Protection Program loan payable**

On May 1, 2020, The Charter School was granted a Paycheck Protection Program ("PPP") loan from Chase Bank N.A. in the aggregate amount of \$1,451,790 under Division A, Title I of the Coronavirus, Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. The PPP loan matures on May 1, 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing on March 1, 2021. The PPP loan may be prepaid by the Charter School at any time prior to maturity with no prepayment penalties. Funds from the PPP loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred before March 1, 2021. The Charter School intends to use the entire PPP loan for qualifying expenses. Under the terms of the PPP, certain amounts of the PPP loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. As of June 30, 2020, the total outstanding balance on the PPP loan was \$1,451,790.



**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 Directors  
Opportunity Charter School

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

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal controls) 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 Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Charter 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 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 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 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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

New York, New York  
October 29, 2020

Opportunity Charter School

**Budget Draft**

**Jul '20 - Jun 21**

<b>Government Grants</b>	12,153,598.00
<b>Contributed Income</b>	77,000.00
<b>Interest Income</b>	5,000.00
<b>Misc. Income</b>	2,000.00
<b>Total Income</b>	<b><u>12,237,598.00</u></b>
<b>Personnel</b>	10,493,553.93
<b>OTPS</b>	1,744,044.07
<b>Total Expense</b>	<b><u>12,237,598.00</u></b>
<b>Net Income</b>	<b><u><u>0.00</u></u></b>

**J.P.Morgan**

JPMORGAN CHASE BANK, N.A.  
10420 HIGHLAND MANOR DRIVE  
2ND FLOOR FL3-2213  
TAMPA, FL 33610-9128

**SEGREGATED DEPOSIT ACCOUNT**

September 01, 2020 - September 30, 2020  
THE OPPORTUNITY CHARTER SCHOOL INC

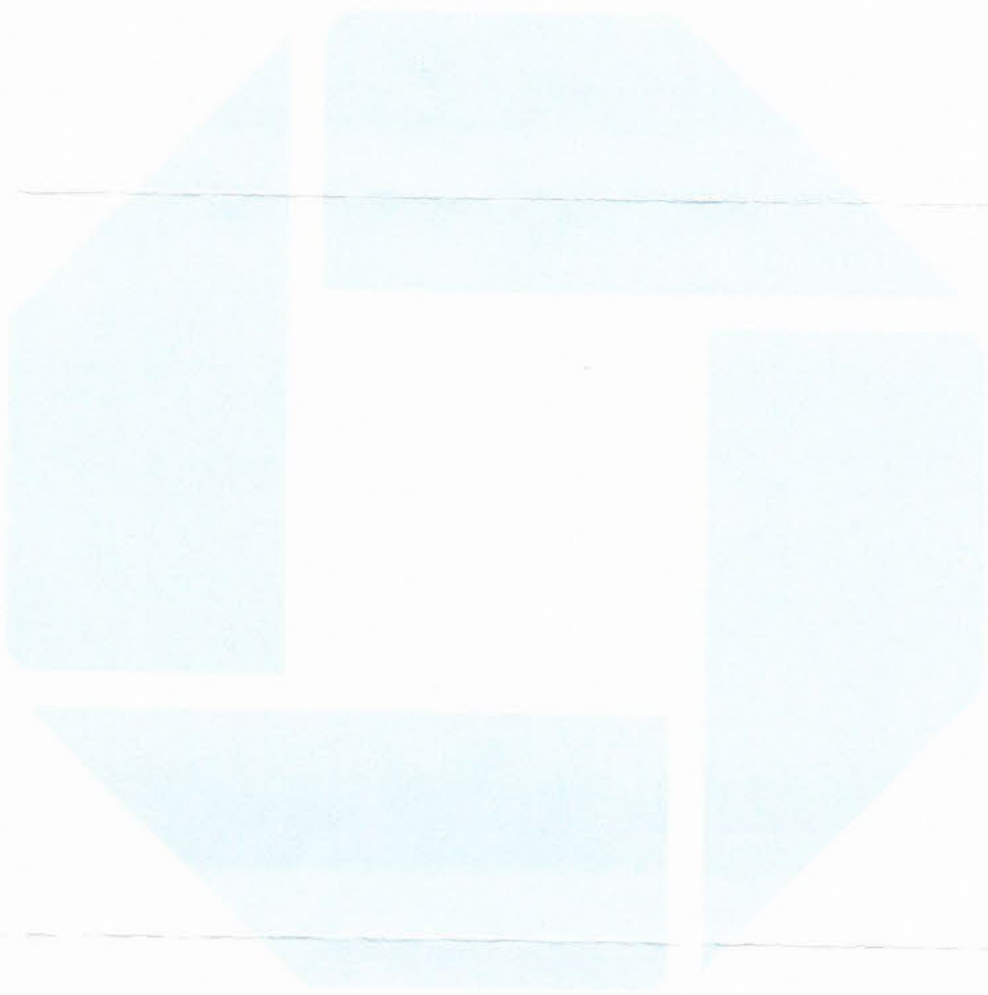
Primary Account Number: [REDACTED]

Number of Checks Enclosed: 0

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00000017 SDA 802 054 27520 - NNN T 00000000 NO 0000  
THE OPPORTUNITY CHARTER SCHOOL INC  
LEONARD GOLDBERT / CEO  
240 WEST 113TH STREET  
NEW YORK, NY 10026





# J.P.Morgan

JPMORGAN CHASE BANK, N.A.  
10420 HIGHLAND MANOR DRIVE  
2ND FLOOR FL3-2213  
TAMPA, FL 33610-9128

## SEGREGATED DEPOSIT ACCOUNT

September 01, 2020 - September 30, 2020  
THE OPPORTUNITY CHARTER SCHOOL INC  
Primary Account Number: [REDACTED]  
Number of Checks Enclosed: 0  
Page 2 of 4

THE OPPORTUNITY CHARTER SCHOOL INC  
LEONARD GOLDBERT / CEO  
240 WEST 113TH STREET  
NEW YORK, NY 10026

### Customer Service Information

Service Center: 1-800-221-3175

### ESCROW SUMMARY

Current Interest:	\$9.39
Year to Date Interest:	\$85.72
Life to Date Interest:	\$1,604.15

GROUP	Number of Accounts	Opening Balance	Total Deposits	Total Withdrawals	Current Interest	Closing Balance
OPPORTUNITY CHARTER SCHOOL	1	\$76,337.01	\$9.39	\$0.00	\$9.39	\$76,346.40
<b>Totals</b>	<b>1</b>	<b>\$76,337.01</b>	<b>\$9.39</b>	<b>\$0.00</b>	<b>\$9.39</b>	<b>\$76,346.40</b>

Primary Account [REDACTED] for THE OPPORTUNITY CHARTER SCHOOL INC

### Transactions

Date	Description	Funds Added	Funds Subtracted	Balance
09/01	OPENING BALANCE			\$0.00
<b>Totals</b>				<b>\$0.00</b>

For Group	Client Number	Current Interest	Year to Date Interest	Life to Date Interest	Closing Balance
OPPORTUNITY CHARTER SCHOOL					
THE OPPORTUNITY CHARTER SCHOOL	NEW	\$9.39	\$85.72	\$1,604.15	\$76,346.40
<b>Total Clients: 1</b>		<b>\$9.39</b>	<b>\$85.72</b>	<b>\$1,604.15</b>	<b>\$76,346.40</b>

THE OPPORTUNITY CHARTER SCHOOL	Closing Balance \$76,346.40
Client # NEW Account # [REDACTED]	

Interest Participant	Interest Allocation	Current Interest	Year To Date Interest	Life To Date Interest
THE OPPORTUNITY CHARTER SCHOOL	100.00%	\$9.39	\$85.72	\$1,604.15
<b>Total Participants 01</b>	<b>100.00%</b>	<b>\$9.39</b>	<b>\$85.72</b>	<b>\$1,604.15</b>

**Transactions**

Date	Description	Funds Added	Funds Subtracted	Balance
09/01	OPENING BALANCE			\$76,337.01
09/30	INTEREST PAYMENT	\$9.39		\$76,346.40
<b>Totals</b>		<b>\$9.39</b>		<b>\$76,346.40</b>

**SEGREGATED DEPOSIT ACCOUNT**

September 01, 2020 - September 30, 2020

THE OPPORTUNITY CHARTER SCHOOL INC

Primary Account Number: 000000790200398

Number of Checks Enclosed: 0

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Please examine this statement of account at once. By continuing to use the account, you agree that: (1) the account is subject to the bank's deposit account agreement, and (2) the bank has no responsibility for any error in or improper charge to the account (including any unauthorized or altered check) unless you notify us in writing of this error or charge within sixty days of the mailing or availability of the first statement on which the error or charge appears.

