



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants



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ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE D: SCHOOL FACILITIES, Cont'd

The future minimum payments required under the agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 2,271,800
2022	2,021,800
2023	1,384,800
2024	1,383,300
2025	1,395,300
Thereafter	<u>5,327,700</u>
	<u>\$ 13,784,700</u>

NOTE E: 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 F: CONCENTRATIONS

At June 30, 2020, approximately 59% of grants and contract receivables are due from New York State agencies relating to certain grants.

At June 30, 2019, approximately 68% of grants and contract receivables were due from New York State agencies relating to certain grants.

For both the years ended June 30, 2020 and 2019, approximately 95% of total revenue, gains, and other support came from per-pupil funding and rental assistance provided by New York State through 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.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees are immediately eligible to participate in the Plan. The Plan allows for the Charter School to make a matching contribution to the Plan. The Charter School contributed approximately \$195,000 and \$157,000 to the Plan for the years ended June 30, 2020 and 2019, respectively.

NOTE H: OPERATING LEASE

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$6,700 that will expire at various dates through November 2021. The future minimum payments on this agreement is approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 49,600
2022	<u>15,600</u>
	<u>\$ 65,200</u>

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: DUE TO NYC DEPARTMENT OF EDUCATION

Amounts due to the NYC Department of Education represent overpayments related to lease assistance provided by the City for school facilities. These amounts consist of \$130,818 and \$300,027 at June 30, 2020 and 2019 and are included as a liability in the accompanying statement of financial position.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE K: RELATED PARTY TRANSACTIONS

Loans from related party is summarized as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Restructured note payable to a Board Trustee with principal due in three annual installments of \$150,000, one installment of \$60,000, with interest at prime plus 100 basis points, which resets annually (4.25% at June 30, 2020) through July 2023.	\$ 510,000	\$ 510,000
Note payable to a Board Trustee due in one installment of principal and interest at 5.25% in July 2020. This loan was repaid in full subsequent to year end.	17,500	-
Notes repaid in 2020	-	30,000
	<u>527,500</u>	<u>540,000</u>
Less current portion	<u>167,500</u>	<u>30,000</u>
	<u>\$ 360,000</u>	<u>\$ 510,000</u>

Annual maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 167,500
2022	150,000
2023	150,000
2024	60,000
	<u>\$ 527,500</u>

As of June 30, 2019, the Charter School had a \$50,000 pledge receivable from a Board Trustee, which has been included in the accompanying statement of financial position. The pledge was collected in September 2019. There were no pledges received from the Board Trustee for the year ended June 30, 2020.

The Charter School is related to Atmosphere Foundation, Inc. (the "Foundation") through common board representation. There were no contributions from the Foundation for the years ended June 30, 2020 and 2019.

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE L: NET ASSETS (DEFICIENCY)

Net assets (deficiency) without donor restrictions are as follows:

	June 30,	
	<u>2020</u>	<u>2019</u>
Undesignated	\$ (682,800)	\$ (896,223)
Invested in property and equipment	<u>899,391</u>	<u>852,605</u>
	<u>\$ 216,591</u>	<u>\$ (43,618)</u>

NOTE M: 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 corona virus originating in Wuhan, China (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 2021.

ATMOSPHERE ACADEMY PUBLIC 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
Atmosphere Academy Public 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 Atmosphere Academy Public Charter School, which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and changes in net assets – without donor restrictions, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atmosphere Academy Public 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 Atmosphere Academy Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Atmosphere Academy Public 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 Atmosphere Academy Public 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*.

We noted certain matters that we have reported to management of Atmosphere Academy Public Charter School in a separate letter dated September 30, 2020.

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, Baw & Co. LLP

Rochester, New York
September 30, 2020

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2020



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

September 30, 2020

Board of Trustees
Atmosphere Academy Public Charter School

In planning and performing our audit of the financial statements of Atmosphere Academy Public Charter School (the “Charter School”) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing 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 entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph of this letter and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During the course of our audit of the financial statements of Atmosphere Academy Public Charter School as of and for the year ended June 30, 2020, we observed the Charter School’s significant accounting policies and certain business, financial and administrative practices. As a result of our observations, we noted the following, which we do not consider to be a significant deficiency or material weakness:

ATMOSPHERE ACADEMY PUBLIC CHARTER SCHOOL

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2020



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

September 30, 2020

Finance Committee
Atmosphere Academy Public Charter School

We have audited the financial statements of Atmosphere Academy Public Charter School as of and for the year then ended June 30, 2020, and have issued our report thereon dated September 30, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 1, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Atmosphere Academy Public Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding other matters noted during our audit in a separate letter to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced Board Treasurer who reviews the draft financial statements prior to issuance and accepts responsibility for them.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Atmosphere Academy Public Charter School is included in Note A to the financial statements. As described in Note A to the financial statements, effective July 1, 2019, the Charter School changed its method of accounting for revenue recognition by adopting FASB Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* and Accounting Standards Update (ASU) 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In addition, the Charter School changed its statement of cash flows presentation by adopting FASB ASC 230. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocations of operating expenses to program expenses, management and general expenses, and fundraising expenses and the collectability of grants receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Atmosphere Academy Public Charter School's financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

We are pleased to report we encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Atmosphere Academy Public Charter School’s financial statements or the auditor’s report. We are pleased to report no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management’s Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Atmosphere Academy Public Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Atmosphere Academy Public Charter School’s auditors.

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Should you desire further information concerning these matters, Shelby Stenson or Caitlin Langmead will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and management of Atmosphere Academy Public Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

Review of Bank Reconciliations

During our audit, we noted that with the transition of Board Treasurer’s during the fiscal year, bank reconciliations were being reviewed by the financial consultant and not the Board Treasurer as required by the Charter School’s finance policy.

Recommendation

We recommend the Charter School update its financial procedures and policies manual to reflect their current procedures over review of bank reconciliations.

Credit Card Support and Approvals

During our audit testing, we noted several transactions where receipts were not maintained to support credit card purchases, as required by the Charter School’s finance policies. In addition, we noted that Principal did not document approval of March 2020 credit card purchases either electronically or on the Debit Card Purchasing Log.

Recommendation

We recommend that the Charter School follow credit card procedures as stated in the Charter School’s finance policies.

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This communication is intended solely for the information and use of Management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School’s financial statements. Should you have any questions or comments, please contact Shelby Stenson or Caitlin Langmead.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

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