

**DISCOVERY CHARTER SCHOOL**

**ROCHESTER, NEW YORK**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**OTHER CONSOLIDATING FINANCIAL INFORMATION**

**REPORT REQUIRED BY**  
**GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2020**  
**(With Comparative Totals for 2019)**

## CONTENTS

<u>AUDITED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities and Changes in Net (Deficiency) Assets	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9
 <u>OTHER CONSOLIDATING FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Consolidating Financial Information	21
Consolidating Statement of Financial Position	22
Consolidating Statement of Activities and Changes in Net Assets	23
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	25

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Discovery Charter School

### **Report on the Consolidated Financial Statements**

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

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Discovery Charter School as of June 30, 2020, and the changes in its net (deficiency) assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Discovery Charter School's June 30, 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 17, 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 consolidated financial statements from which it has been derived.

### **Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of Discovery Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Discovery Charter School's internal control over financial reporting and compliance.

### **Emphasis of Matter with Respect to Change of Accounting Methods**

As discussed in Note A to the financial statements, in 2020, Discovery Charter School adopted new accounting guidance for recognition of revenue, contributions received and statement of cash flows presentation. Our opinion is not modified with respect to these matters.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 15, 2020

DISCOVERY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

	June 30,	
	2020	2019
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 588,756	\$ 436,604
Grants and other receivables	264,531	151,235
Prepaid expenses	52,381	50,826
TOTAL CURRENT ASSETS	905,668	638,665
<u>PROPERTY AND EQUIPMENT</u> , net	202,681	319,832
<u>OTHER ASSET</u> - cash in escrow	75,000	75,000
TOTAL ASSETS	\$ 1,183,349	\$ 1,033,497
<u>LIABILITIES AND NET (DEFICIENCY) ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 128,211	\$ 228,209
Accrued payroll and benefits	395,859	430,069
Deferred lease liability	6,509	-
TOTAL CURRENT LIABILITIES	530,579	658,278
<u>PAYCHECK PROTECTION PROGRAM NOTE PAYABLE</u>	643,300	-
TOTAL LIABILITIES	1,173,879	-
<u>NET (DEFICIENCY) ASSETS</u>		
Without donor restrictions	(178,548)	188,861
With donor restrictions	188,018	186,358
TOTAL NET (DEFICIENCY) ASSETS	9,470	375,219
TOTAL LIABILITIES AND NET (DEFICIENCY) ASSETS	\$ 1,183,349	\$ 1,033,497

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

DISCOVERY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIENCY) ASSETS

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

	Year ended June 30,			
	2020		2019	
	Without donor restrictions	With donor restrictions	Total	Total
Operating revenue and support:				
Public school districts:				
Per pupil allocation income	\$ 3,858,269	\$ -	\$ 3,858,269	\$ 3,823,568
District textbooks in-kind	-	-	-	17,687
Students with disabilities	435,510	-	435,510	215,490
Total revenue from public school districts	4,293,779	-	4,293,779	4,056,745
Federal and State grants	211,744	178,018	389,762	740,902
Private grants	3,217	-	3,217	63,493
Net assets released from donor restriction	176,358	(176,358)	-	-
Total other revenue and support	391,319	1,660	392,979	804,395
TOTAL OPERATING REVENUE AND SUPPORT	4,685,098	1,660	4,686,758	4,861,140
Expenses:				
Program services:				
Regular education	3,599,323	-	3,599,323	3,651,216
Special education	866,729	-	866,729	838,803
Supporting services:				
Management and general	586,455	-	586,455	577,324
TOTAL EXPENSES	5,052,507	-	5,052,507	5,067,343
CHANGE IN NET ASSETS	(367,409)	1,660	(365,749)	(206,203)
Net assets at beginning of year	188,861	186,358	375,219	581,422
NET (DEFICIENCY) ASSETS AT END OF YEAR	\$ (178,548)	\$ 188,018	\$ 9,470	\$ 375,219

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

DISCOVERY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

	No. of positions June 30,		Year ended June 30,					
			2020					2019
			Program Services			Supporting Services		
			Regular education	Special education	Sub-total	Management and general	Total	
	2020	2019						Total
Personnel service costs:								
Administrative staff	8	8	\$ 149,492	\$ 166,741	\$ 316,233	\$ 258,736	\$ 574,969	\$ 591,092
Instructional personnel	56	51	1,933,296	483,324	2,416,620	-	2,416,620	2,173,901
Non-instructional personnel	2	3	-	-	-	22,208	22,208	24,480
Total salaries and wages			2,082,788	650,065	2,732,853	280,944	3,013,797	2,789,473
Payroll taxes and employee benefits			351,187	137,782	488,969	66,792	555,761	476,346
Retirement			139,333	47,292	186,625	8,408	195,033	236,535
Legal service			-	-	-	14,469	14,469	19,761
Accounting/ auditing services			-	-	-	28,304	28,304	22,941
Other purchased/ professional/ consulting services			174,872	-	174,872	27,159	202,031	255,127
Building and land rent/ lease/ facility finance interest			396,359	-	396,359	44,040	440,399	417,105
Repairs & maintenance			3,896	-	3,896	3,895	7,791	6,289
Insurance			21,159	-	21,159	7,053	28,212	27,425
Utilities			45,775	-	45,775	17,973	63,748	74,015
Supplies/ materials			28,763	6,619	35,382	-	35,382	98,916
Equipment/ furnishings			4,906	-	4,906	1,226	6,132	11,602
Staff development			10,356	3,452	13,808	-	13,808	15,293
Marketing/ recruitment			-	-	-	10,190	10,190	10,585
Technology			19,572	-	19,572	4,893	24,465	25,666
Food service			183,166	-	183,166	-	183,166	291,719
Student services			16,872	2,641	19,513	-	19,513	81,836
Office expense			12,314	2,018	14,332	24,758	39,090	42,435
Depreciation and amortization			102,702	15,800	118,502	39,500	158,002	152,589
Other			5,303	1,060	6,363	6,851	13,214	11,685
			\$ 3,599,323	\$ 866,729	\$ 4,466,052	\$ 586,455	\$ 5,052,507	\$ 5,067,343

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

DISCOVERY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

	Year ended June 30,	
	2020	2019
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (365,749)	\$ (206,203)
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation and amortization	158,002	152,589
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(113,296)	61,506
Prepaid expenses	(1,555)	(1,052)
Accounts payable and accrued expenses	(99,998)	105,772
Accrued payroll and benefits	(34,210)	17,077
Deferred lease liability	6,509	(4,130)
Deferred revenue	-	(25,000)
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(450,297)	100,559
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(40,851)	(280,940)
NET CASH USED FOR INVESTING ACTIVITIES	(40,851)	(280,940)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on Paycheck Protection Program note payable	643,300	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	643,300	-
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	152,152	(180,381)
Cash and restricted cash at beginning of year	511,604	691,985
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 663,756</u>	<u>\$ 511,604</u>
Reconciliation of cash reported within the consolidated statement of financial position that sum to the total amounts shown in the consolidated statements of cash flows:		
Cash	\$ 588,756	\$ 436,604
Cash in escrow	75,000	75,000
Total cash and restricted cash showing in the consolidated statements of cash flow	<u>\$ 663,756</u>	<u>\$ 511,604</u>

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



## DISCOVERY CHARTER SCHOOL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

#### NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of presentation and principles of consolidation

The accompanying consolidated financial statements include the accounts of Discovery Charter School (the "School") and Friends of Discovery Charter School, Inc. ("Friends"), (collectively referred to as the "Organization"). The Organizations are presenting consolidated financial statements because they have a common Board of Trustees and economic interest. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

##### The Organization

The School is an educational corporation that operates as a charter school in Rochester, New York. On December 14, 2010 (School's date of inception), the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. During 2016, the School's charter was renewed for a three-year term which expired in June 2019. During 2019, the School's charter was renewed for a two-year term which expires in June 2021. The School was established to prepare students to meet the challenges of a rapidly changing world, providing elementary school children real skills for the real world through an interdisciplinary program that integrates literacy, language arts, mathematics, social studies, visual arts and science.

Friends was organized under the laws of the State of New York on February 9, 2006 (Friends' date of inception) as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law as Friends of Community Charter School of Rochester, Inc. Friends was formed to provide funding and administrative assistance to promote the application for a charter school, to provide ongoing financial and volunteer support for such school and to engage in any and all activities reasonably related to such purpose. In 2009, this Organization changed its name to Friends of Discovery Charter School, Inc.

##### Basis of accounting

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

##### Financial statement presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions: Represents all resources over which the Board of Directors has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established for the Organization. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

##### Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

DISCOVERY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

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

Revenue and support recognition

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Organization records substantially all revenue over time as follows:

Public school district revenue

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

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

	June 30,		
	2020	2019	2018
Grants and other receivables	\$ 198,786	\$ 26,972	\$ 154,405

Contributions

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

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

DISCOVERY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

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

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying consolidated statement of financial position. The Charter School received cost-reimbursement grants of approximately \$80,600 that have not been recognized at June 30, 2020 because qualifying expenditures had not yet been incurred. There were no cost-reimbursement grants that had not been recognized at June 30, 2019 because qualifying expenditures had not yet been incurred.

Cash

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

Cash in escrow

The School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$75,000 at June 30, 2020 and 2019.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2020 and 2019.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from five to ten years.

DISCOVERY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

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

Deferred lease liability

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

Tax exempt status

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

The Organization files Form 990 tax returns in the U.S. federal jurisdiction and New York State. The tax returns for the years ended June 30, 2017 through June 30, 2020 are still subject to potential audit by the IRS and New York State. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Organization expenses marketing costs as incurred. Total marketing and recruiting costs approximated \$10,200 and \$10,600 for the years ended June 30, 2020 and 2019, respectively.

Contributed goods and services

The School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. The School received some donated transportation and special education services from the local school district. The School was unable to determine a value for these services.

The School received contributed goods which were valued at approximately \$17,700 which are included in the accompanying consolidated statement of activities and changes in net (deficiency) asset for the year ended June 30, 2019. No contributed goods were received for the year ended June 30, 2020.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

DISCOVERY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

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

Adoption of new accounting standards

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued new guidance related to revenue recognition (ASC 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization adopted ASC 606 with a date of initial application of July 1, 2019.

The Organization applied ASC 606 using the cumulative effect method, which generally requires the recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets, at July 1, 2019. There was no adjustment to the opening balance of net assets at July 1, 2019, as a result of this new accounting standard. In addition, the comparative information has not been adjusted and continues to be reported under existing revenue guidance. The Organization does not expect the adoption of the new revenue standard to have a material impact on its change in net assets on an ongoing basis.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligation, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Contributions received and contributions made

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For most resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the provisions of ASU 2018-08 applicable to contributions received with a date of initial application of July 1, 2019 under a modified prospective basis. Accordingly, there is no effect on net assets.

Statement of cash flows

In November 2016, the FASB issued new guidance related to the consolidated statement of cash flows (ASC 230), which requires entities to include restricted cash in the reconciliation of the beginning-of-year to the end-of-year of cash in the consolidated statement of cash flows. ASC 230 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 2019. The Organization adopted this standard as of July 1, 2019 using the retrospective transition method.

DISCOVERY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

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

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

Comparatives for the year ended June 30, 2019

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 15, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

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

DISCOVERY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30, 2020 and 2019:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 588,756	\$ 436,604
Grants and other receivables	<u>264,531</u>	<u>151,235</u>
	<u>\$ 853,287</u>	<u>\$ 587,839</u>
Less:		
Amounts unavailable for general expenditure within one year, due to:		
Restricted by donors with purpose restriction	<u>188,018</u>	<u>186,358</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 665,269</u>	<u>\$ 401,481</u>

The Organization has a line of credit with maximum borrowings of \$400,000 which they could draw upon in the event of unanticipated liquidity needs. At June 30, 2020 and 2019, no amount was outstanding on this line.

NOTE C: SCHOOL FACILITY

In July 2013, the School entered into a facility lease for its current location through June 30, 2019. The School renewed their lease for their current location effective July 1, 2019 with an expiration date of June 30, 2021. Renewal options are available through June 30, 2056. Rent is based each year on the number of square feet used by the School. The square footage rate for the space for the fiscal year ended June 30, 2020 is \$10.02 and \$10.32 for 2021. Rent expense incurred under this lease for the years ended June 30, 2020 and 2019 was approximately \$440,000 and \$417,000, respectively.

The approximate future minimum payments on this agreement based on the current square footage usage is as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 447,000

DISCOVERY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30,	
	2020	2019
Classroom/playground equipment	\$ 66,554	\$ 66,554
Office equipment	18,304	18,304
Computer equipment	492,680	454,828
Food service equipment	13,356	13,356
Leasehold improvements	<u>276,492</u>	<u>273,493</u>
	867,386	826,535
Less accumulated depreciation and amortization	<u>664,705</u>	<u>506,703</u>
	<u>\$ 202,681</u>	<u>\$ 319,832</u>

NOTE E: NET (DEFICIENCY) ASSETS

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

	June 30,	
	2020	2019
Undesignated net deficiency	\$ (381,229)	\$ (130,971)
Invested in property and equipment	<u>202,681</u>	<u>319,832</u>
	<u>\$ (178,548)</u>	<u>\$ 188,861</u>

Net assets with donor restrictions consisted of the following:

	June 30,	
	2020	2019
Child Nutrition Program	\$ 174,518	\$ 172,858
Board Development Training	3,500	3,500
After School Program	<u>10,000</u>	<u>10,000</u>
	<u>\$ 188,018</u>	<u>\$ 186,358</u>



DISCOVERY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

NOTE F: OPERATING LEASES

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through June 2023. The approximate future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 8,900
2022	8,900
2023	8,200
	<u>\$ 26,000</u>

NOTE G: LINE OF CREDIT

The School has available \$400,000 of a line of credit with a bank, with interest at prime plus 1.5% (an effective rate of 4.75% at June 30, 2020). There were no borrowings outstanding on this line at June 30, 2020 or 2019.

NOTE H: PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In response to the COVID-19 outbreak, in April 2020 the Organization applied for and was approved by a bank for a loan of \$643,300 through the Paycheck Protection Program established by the Small Business Administration. The loan has a maturity of 2 years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Organization. The loan was funded on April 17, 2020. Due to the potential of forgiveness, repayment terms have not been finalized as of the report date; therefore the entire balance has been classified as long-term at June 30, 2020.

NOTE I: RETIREMENT PLANS

The Organization participates in the New York State Teachers' Retirement System (NYSTRS). This System is a cost sharing multiple employer public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods, Albany, NY 12211-2395.

The System is noncontributory for the employee, except for those who joined the System after July 27, 1976 and before January 1, 2010 with less than ten years membership, who contribute 3% of their salary. Those joining on or after January 1, 2010 are required to contribute 3.5% of their annual salary for their entire career. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

DISCOVERY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

NOTE I: RETIREMENT PLANS, Cont'd

The Organization is required to contribute at an actuarially determined rate, currently 8.86% of the annual covered payroll for the fiscal year ended June 30, 2020. The rate applicable to the year ended June 30, 2019 was 10.62%. The Organization's contributions made to the system was equal to 100% of the contributions required for each year. The required contributions for the current year and preceding year was:

2020	\$ 195,033
2019	236,535

Effective July 2012, the School established an Employee Retirement 403(b) Plan for all employees. The School may make a discretionary contribution to the Plan. There were no discretionary contributions made by the School for the years ended June 30, 2020 and 2019.

NOTE J: 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 Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

NOTE K: CONCENTRATIONS

At June 30, 2020 and 2019 approximately 100% of grants and other receivables are due from the New York State Department of Education relating to certain grants.

The School's primary source of funding is obtained from the New York State Department of Education and is reported as public school district income in the accompanying statement of activities and changes in net assets. This funding is based on the home district of each pupil and is received from various districts. The total per pupil allocation income for the years ended June 30, 2020 and 2019 was \$4,293,779 and 4,039,058, respectively. This is approximately 91% and 83% of total operating revenue and support for the years ended June 30, 2020 and 2019, respectively. The per-pupil rate is set annually by the State based on the school district in which the School's students are located.

NOTE L: COMMITMENTS

The School has a yearly services agreement with a not-for-profit organization to provide administrative management, human resources and information technology support. This expense amounted to approximately \$97,400 and \$76,200 for the years ended June 30, 2020 and 2019, respectively.

In July 2019, the School entered into a contract with an Institute to participate in their School Turnaround Program. The program is a three-year agreement that commences in July 2019 and extends through June 2022 for a total cost of \$195,000.

NOTE M: FUNCTIONAL EXPENSES

The consolidated 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.

## DISCOVERY CHARTER SCHOOL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020 AND 2019

#### NOTE N: RENEWAL PROCESS

The School is currently in the process of renewing its charter as granted by The New York State Board of Regents. The Charter currently expires June 30, 2021. The renewal process includes review by New York State Department of Education (NYSED) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. The School is in the process of submitting its application for renewal. Upon review of the application and results, the NYSED will determine if the charter school be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the School expects the charter to be renewed.

#### NOTE O: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus 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 Organization’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 Organization 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.

#### NOTE P: MANGAEMENT’S PLAN

The COVID-19 pandemic has created both operational and financial challenges at Discovery Charter School in this fiscal year and beyond. The year ended June 30, 2020 saw the suspension of in-person instruction in mid-March, unanticipated expenses and the loss of revenue. The financial impact for the year ended June 30, 2020 as reported in these consolidated financial statements, had an overall decrease in change in net assets of almost double what was anticipated in the operating budget. However, the Federal government’s passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided significant relief to Discovery Charter School through the Paycheck Protection Program (PPP). The Paycheck Protection Program, more fully described, in Note H, provided unanticipated funding of \$643,300 during the year ended June 30, 2020 and is recognized as a long-term liability on the consolidated statement of financial position. Management has used the funds provided through the CARES Act almost exclusively for retaining employees and to assist in the continuing education of its students, in accordance with the program requirements. Management will begin shortly the CARES Act process of applying for forgiveness of the PPP funding, which is a multi-step maximum of 150 days review period. In anticipation of the PPP funding being forgiven, not requiring payback to the Federal government, Discovery Charter School will be allowed to recognize revenue in the amount of forgiveness up to the entire amount of \$643,300. The forgiveness of the PPP will have a significant impact on the financial results in the fiscal year of forgiveness, anticipated to be in the year ending June 30, 2021 covering the change in net assets for the year ended June 30, 2020 and an anticipated budget shortfall in the year ending June 30, 2021. Beyond the forgiveness of the CARES Act, Discovery Charter School will be implementing plans to control future operating expenses and maximizing revenue opportunities to ensure a financially sustainable operating model.

**DISCOVERY CHARTER SCHOOL**

**OTHER CONSOLIDATING FINANCIAL INFORMATION**

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING FINANCIAL INFORMATION

Board of Trustees  
Discovery Charter School

We have audited the consolidated financial statements of Discovery Charter School as of and for the year ended June 30, 2020 and we have issued our report thereon dated October 15, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2020 consolidating financial information hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2020, as a whole.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 15, 2020

DISCOVERY CHARTER SCHOOL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

<u>ASSETS</u>	<u>Discovery Charter School</u>	<u>Friends of Discovery Charter School, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT ASSETS</u>				
Cash	\$ 578,665	\$ 10,091	\$ -	\$ 588,756
Grants and other receivables	264,531	-	-	264,531
Prepaid expenses	<u>52,381</u>	<u>-</u>	<u>-</u>	<u>52,381</u>
TOTAL CURRENT ASSETS	895,577	10,091	-	905,668
<u>PROPERTY AND EQUIPMENT, net</u>	202,681	-	-	202,681
<u>OTHER ASSET - cash in escrow</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
TOTAL ASSETS	<u>\$ 1,173,258</u>	<u>\$ 10,091</u>	<u>\$ -</u>	<u>\$ 1,183,349</u>
<u>LIABILITIES AND NET (DEFICIENCY) ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 128,211	\$ -	\$ -	\$ 128,211
Accrued payroll and benefits	395,859	-	-	395,859
Deferred lease liability	<u>6,509</u>	<u>-</u>	<u>-</u>	<u>6,509</u>
TOTAL CURRENT LIABILITIES	530,579	-	-	530,579
<u>PAYCHECK PROTECTION PROGRAM NOTE PAYABLE</u>	<u>643,300</u>	<u>-</u>	<u>-</u>	<u>643,300</u>
TOTAL LIABILITIES	1,173,879	-	-	1,173,879
<u>NET (DEFICIENCY) ASSETS</u>				
Without donor restrictions	(178,639)	91	-	(178,548)
With donor restrictions	<u>178,018</u>	<u>10,000</u>	<u>-</u>	<u>188,018</u>
TOTAL NET (DEFICIENCY) ASSETS	<u>(621)</u>	<u>10,091</u>	<u>-</u>	<u>9,470</u>
TOTAL LIABILITIES AND NET (DEFICIENCY) ASSETS	<u>\$ 1,173,258</u>	<u>\$ 10,091</u>	<u>\$ -</u>	<u>\$ 1,183,349</u>

DISCOVERY CHARTER SCHOOL

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

	Discovery Charter School	Friends of Discovery Charter School, Inc.	Eliminations	Total
Operating revenue and support:				
Public school districts:				
Per pupil allocation income	\$ 3,858,269	\$ -	\$ -	\$ 3,858,269
Students with disabilities	<u>435,510</u>	<u>-</u>	<u>-</u>	<u>435,510</u>
Total revenue from public school districts	4,293,779	-	-	4,293,779
Federal and State grants	389,762	-	-	389,762
Private grants	<u>3,217</u>	<u>-</u>	<u>-</u>	<u>3,217</u>
Total other revenue and support	<u>392,979</u>	<u>-</u>	<u>-</u>	<u>392,979</u>
 TOTAL OPERATING REVENUE AND SUPPORT	 4,686,758	 -	 -	 4,686,758
Expenses:				
Program services:				
Regular education	3,599,323	-	-	3,599,323
Special education	866,729	-	-	866,729
Supporting services:				
Management and general	<u>586,455</u>	<u>-</u>	<u>-</u>	<u>586,455</u>
TOTAL EXPENSES	<u>5,052,507</u>	<u>-</u>	<u>-</u>	<u>5,052,507</u>
 CHANGE IN NET ASSETS	 (365,749)	 -	 -	 (365,749)
Net assets at beginning of year	<u>365,128</u>	<u>10,091</u>	<u>-</u>	<u>375,219</u>
NET (DEFICIENCY) ASSETS AT END OF YEAR	<u>\$ (621)</u>	<u>\$ 10,091</u>	<u>\$ -</u>	<u>\$ 9,470</u>

**DISCOVERY 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  
Discovery 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 consolidated financial statements of Discovery Charter School, which comprise the consolidated statement of financial position as of June 30, 2020 and the related consolidated statements of activities and changes in net (deficiency) assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Discovery 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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Discovery Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Discovery 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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. 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 Discovery Charter School's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 15, 2020



## Annual Financial Statement Audit Report

for Board of Regents Authorized Charter Schools

School Name:	Discovery Charter School
Date (Report is due Nov. 1):	November 1, 2020
Primary District of Location (If NYC select NYC DOE):	Greece Central School District
If located in NYC DOE select CSD:	-
School Fiscal Contact Name:	Laurie Corbett
School Fiscal Contact Email:	[REDACTED]
School Fiscal Contact Phone:	[REDACTED]
School Audit Firm Name:	Mengel, Metzger, Barr & Co.
School Audit Contact Name:	Michelle Cain
School Audit Contact Email:	[REDACTED]
School Audit Contact Phone:	[REDACTED]
Audit Period:	2019-20
Prior Year:	2018-19

The following items are required to be included:

- 1.) The independent auditor's report on financial statements and notes.
- 2.) Excel template file containing the Financial Position, Statement of Activities, Cash Flow and Functional Expenses worksheets.
- 3.) Reports on internal controls over financial reporting and on compliance.

The additional items listed below should be included if applicable. Please explain the reason(s) if the items are not included. Examples might include: a written management letter was not issued; the school did not expend federal funds in excess of the Single Audit Threshold of \$750,000; the management letter response will be submitted by the following date (should be no later than 30 days from the submission of the report); etc.

Item	If not included, state the reason(s) below (if not applicable fill in N/A):
Management Letter	No management letter was necessary
Management Letter Response	No management letter was provided, therefore there is not reponse needed
Form 990	The 990 has not yet been filed for the 19-20 fiscal year
Federal Single Audit (A-133)	N/A
Corrective Action Plan	N/A

**Discovery Charter School**  
**Statement of Financial Position**  
**as of June 30**

	<u>2020</u>	<u>2019</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 588,756	\$ 436,604
Grants and contracts receivable	-	-
Accounts receivables	264,531	151,235
Prepaid Expenses	52,381	50,826
Contributions and other receivables	-	-
Other current assets	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>905,668</u>	<u>638,665</u>
<b><u>NON-CURRENT ASSETS</u></b>		
Property, Building and Equipment, net	\$ 202,681	\$ 319,832
Restricted Cash	75,000	75,000
Security Deposits	-	-
Other Non-Current Assets	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<u>277,681</u>	<u>394,832</u>
<b>TOTAL ASSETS</b>	<u><u>1,183,349</u></u>	<u><u>1,033,497</u></u>
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable and accrued expenses	\$ 128,211	\$ 228,209
Accrued payroll, payroll taxes and benefits	395,859	430,069
Current Portion of Loan Payable	-	-
Due to Related Parties	-	-
Refundable Advances	-	-
Deferred Revenue	-	-
Other Current Liabilities	6,509	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>530,579</u>	<u>658,278</u>
<b><u>LONG-TERM LIABILITIES</u></b>		
Loan Payable; Due in More than One Year	\$ 643,300	\$ -
Deferred Rent	-	-
Due to Related Party	-	-
Other Long-Term Liabilities	-	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>643,300</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>1,173,879</u>	<u>658,278</u>
<b><u>NET ASSETS</u></b>		
Unrestricted	\$ (178,548)	\$ 188,861
Temporarily restricted	188,018	186,358
Permanently restricted	-	-
<b>TOTAL NET ASSETS</b>	<u>9,470</u>	<u>375,219</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>1,183,349</u></u>	<u><u>1,033,497</u></u>

**Discovery Charter School**  
**Statement of Activities**  
**as of June 30**

	2020			2019
	Unrestricted	Temporarily Restricted	Total	Total
<b>OPERATING REVENUE</b>				
State and Local Per Pupil Revenue - Reg. Ed	\$ 3,858,268	\$ -	\$ 3,858,268	\$ 3,823,568
State and Local Per Pupil Revenue - SPED	435,510	-	435,510	215,490
State and Local Per Pupil Facilities Revenue	-	-	-	-
Federal Grants	14,500	178,018	192,518	453,902
State and City Grants	-	-	-	-
Other Operating Income	-	-	-	-
Food Service/Child Nutrition Program	197,245	-	197,245	304,687
<b>TOTAL OPERATING REVENUE</b>	<b>4,505,523</b>	<b>178,018</b>	<b>4,683,541</b>	<b>4,797,647</b>
<b>EXPENSES</b>				
Program Services				
Regular Education	\$ 3,599,323	\$ -	\$ 3,599,323	\$ 3,651,216
Special Education	866,729	-	866,729	838,803
Other Programs	-	-	-	-
Total Program Services	4,466,052	-	4,466,052	4,490,019
Management and general	586,455	-	586,455	577,324
Fundraising	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>5,052,507</b>	<b>-</b>	<b>5,052,507</b>	<b>5,067,343</b>
<b>SURPLUS / (DEFICIT) FROM OPERATIONS</b>	<b>(546,984)</b>	<b>178,018</b>	<b>(368,966)</b>	<b>(269,696)</b>
<b>SUPPORT AND OTHER REVENUE</b>				
Interest and Other Income	\$ -	\$ -	\$ -	\$ -
Contributions and Grants	3,217	-	3,217	63,493
Fundraising Support	-	-	-	-
Investments	-	-	-	-
Donated Services	-	-	-	-
Other Support and Revenue	-	-	-	-
<b>TOTAL SUPPORT AND OTHER REVENUE</b>	<b>3,217</b>	<b>-</b>	<b>3,217</b>	<b>63,493</b>
<b>Net Assets Released from Restrictions / Loss on Disposal of Assets</b>	<b>\$ 176,358</b>	<b>\$ (176,358)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CHANGE IN NET ASSETS</b>	<b>(367,409)</b>	<b>1,660</b>	<b>(365,749)</b>	<b>(206,203)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 188,861</b>	<b>\$ 186,358</b>	<b>\$ 375,219</b>	<b>\$ 581,422</b>
<b>PRIOR YEAR/PERIOD ADJUSTMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ (178,548)</b>	<b>\$ 188,018</b>	<b>\$ 9,470</b>	<b>\$ 375,219</b>

**Discovery Charter School**  
**Statement of Cash Flows**

**as of June 30**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS - OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (365,749)	\$ (206,203)
Revenues from School Districts	-	-
Accounts Receivable	-	-
Due from School Districts	-	-
Depreciation	158,002	152,589
Grants Receivable	(113,296)	61,506
Due from NYS	-	-
Grant revenues	-	-
Prepaid Expenses	(1,555)	(1,052)
Accounts Payable	(99,998)	105,772
Accrued Expenses	(34,210)	17,077
Accrued Liabilities	6,509	(4,130)
Contributions and fund-raising activities	-	-
Miscellaneous sources	-	-
Deferred Revenue	-	(25,000)
Interest payments	-	-
Other	-	-
Other	-	-
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<b>\$ (450,297)</b>	<b>\$ 100,559</b>
<b>CASH FLOWS - INVESTING ACTIVITIES</b>		
Purchase of equipment	-	-
Other	(40,851)	(280,940)
<b>NET CASH PROVIDED FROM INVESTING ACTIVITIES</b>	<b>\$ (40,851)</b>	<b>\$ (280,940)</b>
<b>CASH FLOWS - FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	-	-
Other	643,300	-
<b>NET CASH PROVIDED FROM FINANCING ACTIVITIES</b>	<b>\$ 643,300</b>	<b>\$ -</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 152,152</b>	<b>\$ (180,381)</b>
Cash at beginning of year	511,604	691,985
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 663,756</b>	<b>\$ 511,604</b>

## Discovery Charter School Statement of Functional Expenses as of June 30

		2020								2019	
		Program Services				Supporting Services					
No. of Positions		Regular Education	Special Education	Other Education	Total	Fundraising	Management and General	Total	Total		
Personnel Services Costs		\$	\$	\$	\$	\$	\$	\$	\$	\$	
Administrative Staff Personnel	8.00	149,492	166,741	-	316,233	-	258,736	258,736	574,969	591,092	
Instructional Personnel	56.00	1,933,296	483,324	-	2,416,620	-	-	-	2,416,620	2,173,901	
Non-Instructional Personnel	2.00	-	-	-	-	-	22,208	22,208	22,208	24,480	
Total Salaries and Staff	66.00	2,082,788	650,065	-	2,732,853	-	280,944	280,944	3,013,797	2,789,473	
Fringe Benefits & Payroll Taxes		351,187	137,782	-	488,969	-	66,792	66,792	555,761	712,881	
Retirement		139,333	47,292	-	186,625	-	8,408	8,408	195,033	-	
Management Company Fees		-	-	-	-	-	-	-	-	-	
Legal Service		-	-	-	-	-	14,469	14,469	14,469	19,761	
Accounting / Audit Services		-	-	-	-	-	28,304	28,304	28,304	22,941	
Other Purchased / Professional / Consulting Services		174,872	-	-	174,872	-	27,159	27,159	202,031	178,927	
Building and Land Rent / Lease		396,359	-	-	396,359	-	44,040	44,040	440,399	478,531	
Repairs & Maintenance		3,896	-	-	3,896	-	3,895	3,895	7,791	6,289	
Insurance		21,159	-	-	21,159	-	7,053	7,053	28,212	27,425	
Utilities		45,775	-	-	45,775	-	17,973	17,973	63,748	-	
Supplies / Materials		28,763	6,619	-	35,382	-	-	-	35,382	144,132	
Equipment / Furnishings		4,906	-	-	4,906	-	1,226	1,226	6,132	-	
Staff Development		10,356	3,452	-	13,808	-	-	-	13,808	15,293	
Marketing / Recruitment		-	-	-	-	-	10,190	10,190	10,190	-	
Technology		19,572	-	-	19,572	-	4,893	4,893	24,465	111,538	
Food Service		183,166	-	-	183,166	-	-	-	183,166	291,719	
Student Services		16,872	2,641	-	19,513	-	-	-	19,513	76,832	
Office Expense		12,314	2,018	-	14,332	-	24,758	24,758	39,090	11,810	
Depreciation		102,702	15,800	-	118,502	-	39,500	39,500	158,002	152,589	
OTHER		5,303	1,060	-	6,363	-	6,851	6,851	13,214	27,202	
Total Expenses		\$ 3,599,323	\$ 866,729	\$ -	\$ 4,466,052	\$ -	\$ 586,455	\$ 586,455	\$ 5,052,507	\$ 5,067,343	

**DISCOVERY CHARTER SCHOOL**  
**Budget 2020-2021 compared to 2019-2020**

	<b>Proposed Budget 2020-2021</b>	Budget 2019-2020
<b>Income</b>		
410-010 Per Pupil Allocation Income	\$ 3,780,021	\$ 3,882,105
410-025 High Cost Aid	350,000	350,000
450-050 Federal IDEA	31,626	31,626
450-030 Title I A&D	166,000	164,872
450-020 Title IIA	33,949	33,949
450-035 Title IV	-	-
415-010 · Contributions and donations	-	-
415-020 Miscellaneous	-	-
410-020 Food Service Income	330,000	330,000
450-040 Fresh Fruits & Veg Programs	18,000	18,000
Other Grants	10,000	10,000
E-rate Reimbursement	32,886	64,355
In-Kind District Textbooks	16,310	16,310
<b>TOTAL INCOME</b>	<b>\$ 4,768,792</b>	<b>\$ 4,901,217</b>
<b>Budget Increase/(Decrease)</b>		<b>-2.7%</b>
<b>Expense</b>		
<b>520-010 Salaries &amp; Wages</b>	2,700,525	\$ 2,968,047
525-045 · HSA Employee Contribution	-	
525-016 Vision Insurance	-	
525-017 · Dental Insurance	-	
525-010 · FICA	-	
525-015 · Health Insurance	-	
525-020 · NYS Disability	-	
525-021 · Disability - Supplemental	-	
525-030 · Life Insurance	-	
525-025 Retirement Expense	-	
525-035 · Workers Compensation Insurance	-	
525-040 · Unemployment Insurance Expense	-	



**DISCOVERY CHARTER SCHOOL**  
**Budget 2020-2021 compared to 2019-2020**

	<b>Proposed Budget 2020-2021</b>	Budget 2019-2020
<b>Total 525 · Employee Benefits</b>	<u>775,902</u>	<u>764,784</u>
<b>Total Personnel Expense</b>	<b>3,476,427</b>	<b>3,732,831</b>
<b>Budget Increase/(Decrease)</b>		<b>-6.9%</b>
<b>530 · School Operations</b>		
540-115 · Minor Equipment/Furniture	8,000	9,000
530-053 · Transportation	10,000	12,000
530-125 · Yearbook	2,000	2,000
530-105 · Miscellaneous Expense	-	-
530-005 · Office Supplies	18,000	12,000
530-010 · Classroom Supplies	26,000	18,000
530-015 · Special Education Supplies	2,500	3,000
530-025 · Food Service Supplies	3,000	3,000
530-030 · Postage	2,500	2,500
530-035 · Printing/Copying	15,000	20,000
530-040 · Telephone	17,500	25,000
530-045 · Marketing & Advertising	9,000	9,000
530-055 · Travel	4,000	8,000
530-060 · Professional Development Exp	13,000	13,000
530-070 · Board Expense	850	250
530-075 · Expedition	13,500	13,500
530-085 · Textbooks	25,000	28,000
530-120 · Student Uniforms	2,500	2,500
530-020 Computer Supplies & Software	100,000	102,200
530-065 Meeting Expense	1,500	450
530-050 Dues and Subscriptions	10,600	7,100
530-095 · Student Testing	6,500	5,000
<b>Total 530 · School Operations</b>	<b>290,950</b>	<b>295,500</b>
<b>Budget Increase/(Decrease)</b>		<b>-1.5%</b>

**540 · Contracted Services**

**DISCOVERY CHARTER SCHOOL**  
**Budget 2020-2021 compared to 2019-2020**

	<b>Proposed Budget 2020-2021</b>	<b>Budget 2019-2020</b>
540-005 - Auditing	18,000	13,000
540-006 - Accounting Services	10,000	12,000
540-045 - Other Purchased/Prof/Consult	65,000	-
540-040 - Enrichment - After School	-	-
540-041 - Enrichment - Summer Learning	20,000	-
540-010 - Legal Fees	14,000	14,000
540-012 - Landlord - Admin Services	99,350	-
540-015 - Expeditionary Learning Fees	-	99,350
540-025 - Food Service Fees	300,000	283,691
540-030 - Payroll Processing	3,800	3,800
<b>Total 540 - Contracted Services</b>	<b>530,150</b>	<b>425,841</b>
<b>Budget Increase/(Decrease)</b>		<b>24.5%</b>
<b>550 - Facility Operation</b>		
550-005 - Insurance	30,679	27,392
550-015 - Maintenance & Repairs	8,000	5,000
550-021 - Facility Lease - Hoover	433,886	433,886
550-050 Utilities	50,000	52,530
550-055 Property Taxes	1,326	1,326
550-030 - Equipment Lease	11,000	11,000
<b>Total 550 - Facility Operation</b>	<b>534,891</b>	<b>531,134</b>
<b>Budget Increase/(Decrease)</b>		<b>0.7%</b>
<b>Other</b>		
530-110 Loan Interest Expense	-	-
550-090 - Depreciation	77,000	102,020
Contingency	-	-
<b>TOTAL EXPENSE</b>	<b>4,909,418</b>	<b>5,087,326</b>
<b>Budget Increase/(Decrease)</b>		<b>-3.5%</b>
<b>NET OPERATING SURPLUS/(DEFICIT)</b>	<b>\$ (140,626)</b>	<b>\$ (186,109)</b>

**DISCOVERY CHARTER SCHOOL**  
**Budget 2020-2021 compared to 2019-2020**

	<b>Proposed Budget 2020-2021</b>	<b>Budget 2019-2020</b>
--	--	-----------------------------

--	--	--

-

-

FOR INQUIRIES CALL: HENRIETTA  
(585) 427-2906

00 0 00172M NM 017

000010843 FIDS1548D01709302009 04 000000

P

DISCOVERY CHARTER SCHOOL  
ESCROW ACCOUNT  
133 HOOVER DR  
ROCHESTER NY 14615

ACCOUNT TYPE	
COMMERCIAL CHECKING	
ACCOUNT NUMBER	STATEMENT PERIOD
██████████	09/01/20 - 09/30/20
BEGINNING BALANCE	\$75,000.00
DEPOSITS & CREDITS	0.00
LESS CHECKS & DEBITS	0.00
LESS SERVICE CHARGES	0.00
ENDING BALANCE	\$75,000.00

#### ACCOUNT ACTIVITY

POSTING DATE	TRANSACTION DESCRIPTION	DEPOSITS & OTHER CREDITS (+)	WITHDRAWALS & OTHER DEBITS (-)	DAILY BALANCE
09/01/2020	BEGINNING BALANCE			\$75,000.00
	NUMBER OF DEPOSITS/CHECKS PAID	0	0	