

GREAT OAKS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Finding 2020-001

Statement of condition

During the 2020 audit, we noted the Fiscal Policies and Procedures (“FPP”) were not always followed in practice. Our testing identified one instance where a contract for services in excess of \$25,000 was entered into by the Executive Director, but was not approved by the Board of Trustees. This contract was then paid with a check signed by the Executive Director and did not have a second signature as all checks over \$10,000 require.

Criteria and effect of conditions

The Charter School entered into a contract agreement without proper approval and the services were paid for without proper authorization.

Recommendation

We recommend the proper procedures are followed as documented in the FPP to ensure effective controls are in place with respect to contracts and check signing. If the current procedures are not workable, alternative procedures should be designed and implemented and the FPP updated accordingly.

Management’s response

We concur with the finding. This finding has been reviewed with the School management and finance staff. Corrective action has been taken to review upcoming procurement needs on a weekly basis to ensure that contracts in excess of \$25,000 are approved by the Board of Trustees prior to a contract agreement or purchase order. In addition, adoption of the online payment processing system for accounts payable will ensure that payments over \$10,000 will require the approval of the school leader and Treasurer for payment.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2018-002

Statement of condition

During the 2018 audit, the prior auditors noted that due to the vacancy in the controller position, many accounts were not reconciled during the school year.

Criteria and effect of conditions

The Charter School should update and reconcile all material accounts on an ongoing basis.

At year end, the general ledger required significant entries to be recorded to reconcile many of the general ledger balances. This also delayed the audit process.

Recommendation

We recommend that the Charter School establish procedures to ensure that all material general ledger accounts be reconciled and reviewed on a monthly basis.

Management's response

We concur with the finding. The finding has been reviewed with management and staff. Corrective action has been taken and new procedures have already been implemented to reconcile all accounts on a monthly basis.

Prior year status

During our 2019 audit, we noted through the hiring of a new Chief Financial Officer and an outside accountant material general ledger accounts were reconciled, with the exception of accrued expenses which required a significant audit adjustment. We recommend the Charter School keep appropriate details regarding what accrued expenses consist of and ensure that this is reconciled and reviewed on a monthly basis.

Management's response

We concur with the finding. The finding has been reviewed with the School management and staff. Corrective action and new procedures have been implemented to keep the detailed expenses by vendor of the accrued expenses separate, and to ensure they are reconciled and reviewed on a monthly basis.

Current status

During our 2020 audit, we noted a significant number of general ledger accounts were not reconciled and required a significant number of adjusting entries throughout the audit process. We also noted all revenue was not recorded, which required a significant audit adjustment. We recommend the Charter School ensure all general ledger accounts are reconciled and reviewed on a monthly basis. We consider this finding to be a significant deficiency which also delayed the audit process.

Management's response

We concur with the finding. This finding has been reviewed with the School management and finance staff. Corrective action has been taken so that general ledger accounts are reviewed and reconciled on a monthly basis. Specific focus will be given to the revenue and accrued expense accounts.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2018-003

Statement of condition

During the 2018 audit, the prior auditors noted that rent expense was recorded based on actual rent payments.

Criteria and effect of conditions

Rent expense should be recorded on the straight-line basis over the term of the lease. Management did not analyze the impact to the general ledger.

A journal entry for \$132,419 was required to correct rent expense.

Recommendation

We recommend that rent should be recorded based on the straight-line basis in the future.

Management's response

We concur with the finding. The finding has been reviewed with management and staff. Corrective action has been taken and the rent is going to be recorded on the straight-line basis on a monthly basis.

Prior year status

During our 2019 audit, we noted that the outside accountant made adjustments to record the rent expense on a straight-line basis. However, additional adjustments were required to account for fixed operating expenses included in the lease agreements. We recommend the Charter School incorporate these fixed expenses into their calculation of deferred rent going forward.

Management's response

We concur with the finding. The finding has been reviewed with the School management and staff. Corrective action and new procedures have been implemented to incorporate fixed operating expenses of the lease into the deferred rent calculation. This account will be reviewed and reconciled monthly.

Current status

During our 2020 audit, we noted the adjustments to record the rent expense on a straight line basis, includes the additional adjustments to account for fixed operating expenses included in the lease agreements were made. However, we noted an adjustment made to rent expense for \$19,250 that needed to be reversed. We recommend the Charter School reconcile the accounts to ensure proper account balances.

Management's response

We concur with the finding. This finding has been reviewed with the School management and finance staff. Corrective action has been taken so that rent, which is recorded on a straight-line basis with adjustments for fixed operating expenses included in the lease agreement, will be rereviewed and reconciled on a monthly basis by the finance team to ensure proper account balances.

GREAT OAKS CHARTER SCHOOL

MANHATTAN, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020

(With Comparative Totals for 2019)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Great Oaks Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Great Oaks 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, 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 Great Oaks Charter School as of June 30, 2020, and the changes in its net 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 Great Oaks Charter School's June 30, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 10, 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 Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020 on our consideration of Great Oaks 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 Great Oaks Charter School's internal control over financial reporting and compliance.

Emphasis of Matters

As discussed in Note A to the financial statements, in 2020, Great Oaks 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, Baw & Co. LLP

Rochester, New York
October 30, 2020

GREAT OAKS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(With Comparative Totals for 2019)

<u>ASSETS</u>	June 30,	
	2020	2019
<u>CURRENT ASSETS</u>		
Cash	\$ 927,985	\$ 186,352
Grants and contracts receivables	80,098	98,301
Prepaid expenses	112,624	121,926
Due from related party	242,577	123,999
TOTAL CURRENT ASSETS	1,363,284	530,578
<u>PROPERTY AND EQUIPMENT, net</u>	511,918	764,642
<u>OTHER ASSETS</u>		
Cash in escrow	75,223	75,192
Security deposits	312,144	259,444
	387,367	334,636
TOTAL ASSETS	\$ 2,262,569	\$ 1,629,856
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of long-term debt	\$ 100,000	\$ 150,000
Accounts payable and accrued expenses	77,993	62,199
Due to related party	114,364	116,960
Accrued payroll and benefits	316,975	193,855
Deferred revenue	20,000	-
TOTAL CURRENT LIABILITIES	629,332	523,014
<u>OTHER LIABILITIES</u>		
Long-term debt	16,790	142,235
Paycheck Protection Program loan payable	425,000	-
Deferred lease liability	136,858	174,500
OTHER LIABILITIES	578,648	316,735
TOTAL LIABILITIES	1,207,980	839,749
<u>NET ASSETS</u>		
Without donor restrictions	1,054,589	790,107
TOTAL LIABILITIES AND NET ASSETS	\$ 2,262,569	\$ 1,629,856

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

GREAT OAKS CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Operating revenue and other support:		
Resident student enrollment	\$ 4,809,436	\$ 4,074,972
Students with disabilities	1,164,236	782,992
Government grants and contracts	325,213	341,401
NYCDOE rental assistance revenue	973,491	763,455
In-kind contributions	642,716	609,530
Contributions and other income	<u>301,430</u>	<u>21,608</u>
TOTAL OPERATING REVENUE AND SUPPORT	8,216,522	6,593,958
Expenses:		
Program services:		
Regular education	4,587,257	4,064,647
Special education	3,107,699	2,343,979
Management and general	<u>257,084</u>	<u>221,843</u>
TOTAL EXPENSES	<u>7,952,040</u>	<u>6,630,469</u>
CHANGE IN NET ASSETS	264,482	(36,511)
Net assets at beginning of year	<u>790,107</u>	<u>826,618</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,054,589</u>	<u>\$ 790,107</u>

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

GREAT OAKS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

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

	Year ended June 30,						
	2020				2019		
	No of Positions	Program Services			Management and General	Total	Total
Regular Education		Special Education	Sub-total				
Personnel services costs:							
Administrative staff personnel	18	\$ 748,722	\$ 350,330	\$ 1,099,052	\$ 122,117	\$ 1,221,169	\$ 770,796
Instructional personnel	23	849,227	832,367	1,681,594	-	1,681,594	1,208,842
Total salaries and wages	41	1,597,949	1,182,697	2,780,646	122,117	2,902,763	1,979,638
Payroll taxes and employee benefits		347,011	237,799	584,810	21,175	605,985	436,823
In-kind services		421,156	197,060	618,216	-	618,216	609,530
Professional development		22,961	15,735	38,696	1,401	40,097	50,967
Professional fees		515,919	337,614	853,533	32,986	886,519	708,942
Student and staff recruitment		29,279	14,257	43,536	156	43,692	16,260
Curriculum and classroom		91,163	80,128	171,291	20	171,311	385,773
Supplies and materials		77,545	42,027	119,572	1,531	121,103	69,399
Insurance		37,926	25,990	63,916	2,314	66,230	55,766
Information technology		77,409	51,788	129,197	4,370	133,567	110,211
Occupancy / facility costs		1,047,906	712,773	1,760,679	54,278	1,814,957	1,768,731
Non-capitalized equipment and furnishings		5,795	3,417	9,212	198	9,410	10,987
Repairs and maintenance		51,891	34,384	86,275	2,836	89,111	32,127
Interest		14,061	9,636	23,697	858	24,555	32,167
Depreciation and amortization		178,553	122,358	300,911	10,896	311,807	292,043
Other		70,733	40,036	110,769	1,948	112,717	71,105
		\$ 4,587,257	\$ 3,107,699	\$ 7,694,956	\$ 257,084	\$ 7,952,040	\$ 6,630,469

The accompanying notes are an integral part of the financial statements

GREAT OAKS CHARTER SCHOOL

STATEMENT OF CASH FLOWS

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

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 264,482	\$ (36,511)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	311,807	292,043
Imputed interest on long term debt	24,555	32,167
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivables	18,203	76,072
Prepaid expenses	9,302	(41,920)
Due from related party	(118,578)	(123,999)
Accounts payable and accrued expenses	15,794	(64,148)
Accrued payroll and benefits	123,120	73,345
Due to related party	(2,596)	116,960
Deferred revenue	20,000	2,371
Deferred lease liability	(37,642)	42,081
NET CASH PROVIDED FROM OPERATING ACTIVITIES	628,447	368,461
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(59,083)	(364,201)
Security deposits	(52,700)	-
NET CASH USED FOR INVESTING ACTIVITIES	(111,783)	(364,201)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings from Paycheck Protection Program	425,000	-
Repayments on long-term debt	(200,000)	(200,000)
NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	225,000	(200,000)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	741,664	(195,740)
Cash and restricted cash at beginning of year	261,544	457,284
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,003,208</u>	<u>\$ 261,544</u>

GREAT OAKS CHARTER SCHOOL
STATEMENT OF CASH FLOWS, Cont'd
YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	Year ended June 30,	
	2020	2019
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash reported within the statements of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 927,985	\$ 186,352
Cash in escrow	75,223	75,192
Total cash and restricted cash shown in the statement of cash flows	\$ 1,003,208	\$ 261,544

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

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Great Oaks Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Manhattan, New York. On November 5, 2012, the Board of Regents and the Board of Trustees of the University of the State of New York, for and on the behalf of the State Department of Education granted the Charter School a charter valid for a term of five years and renewable upon expiration. In January 2018, the Charter School was awarded a four-year renewal through June 30, 2022. The Charter School was granted a charter from grades 6-12. The Charter School was organized to create a rigorous, supportive middle and high school program that ensures its graduates have the requisite knowledge and habits of mind to earn a degree from a competitive four-year college or University. During the fiscal years 2020 and 2019, the Charter School operated classes for 294 and 258 students, respectively, in grades 6 through 8.

Basis of accounting

The Charter School maintains its books and records on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit Charter Schools. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2020 or 2019.

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Revenue recognition

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

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter 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 Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Rental assistance

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

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

	June 30,		
	2020	2019	2018
Grants and contracts receivables	\$ 57,654	\$ 1,767	\$ 90,488

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Contributions

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

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.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position and amounted to \$20,000 at June 30, 2020. The Organization received cost-reimbursement grants of approximately \$13,900 and \$26,500 that have not been recognized at June 30, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred.

Cash

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

Cash in escrow

The Charter School maintains cash in an escrow account, pursuant to its Charter Agreement, to pay off expenses in the event of dissolution of the Charter School. The amount in escrow was approximately \$75,000 at June 30, 2020 and 2019.

Grants and contracts receivables

Grants and contracts 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.

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Items with a cost of \$2,500 or more and an estimated useful life of more than one year are capitalized. Leasehold improvements are being amortized over the term of the lease or the useful life of the improvement, whichever is shorter.

Deferred lease liability

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

Tax exempt status

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

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

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$43,700 and \$16,300 for the years ended June 30, 2020 and 2019, respectively.

Contributed services

The Charter School receives transportation services, metro cards, certain special education services and physical, occupational, vision, hearing, and speech therapy for students from the local district. The Charter School was unable to determine a value for these services.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. In-kind contributions consist of services of tutors paid for by Great Oaks Foundation, Inc. The Charter School received approximately \$618,000 and \$609,500 of in-kind services during the years ended June 30, 2020 and 2019, respectively. In addition, the Charter School received donated text books valued at \$24,500 during the year ended June 30, 2020.

Use of estimates in the preparation of financial statements

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

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Comparatives for year ended June 30, 2019

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

Adoption of new accounting standards

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Charter School adopted ASC 606 with the date of initial application of July 1, 2019.

The Charter School 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 Charter School does not expect the adoption of the new revenue standard to have a material impact on its income on an ongoing basis.

As part of the adoption of ASC 606, the Charter School 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 Charter School 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.

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Statement of cash flows

In November 2016, the FASB issued new guidance related to the 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 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 15, 2019. The Charter School adopted this standard as of July 1, 2019 using the retrospective transition method.

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 balance sheet. 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 standard is currently effective for the Charter School’s fiscal year ending June 30, 2023. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

Reclassifications

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date October 30, 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 Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School’s main source of liquidity is its cash accounts.

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School’s cash and shows positive cash generated by operations for fiscal years 2020 and 2019.

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 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 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	\$ 927,985	\$ 186,352
Grants and contracts receivables	<u>80,098</u>	<u>98,301</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,008,083</u>	<u>\$ 284,653</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Equipment	\$ 530,480	\$ 494,987
Furniture and fixtures	263,192	252,593
Software	21,413	21,413
Leasehold improvements	<u>1,188,550</u>	<u>1,175,559</u>
	2,003,635	1,944,552
Less accumulated depreciation	<u>1,491,717</u>	<u>1,179,910</u>
	<u>\$ 511,918</u>	<u>\$ 764,642</u>

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE D: SCHOOL FACILITY AND TUTOR HOUSING

On June 24, 2015, the Charter School entered into a sublease for the third floor in their location at Delancey Street, New York. The lease commenced on July 1, 2015 and expires on February 21, 2022. On May 1, 2018, the Charter School entered into a lease for the second floor in their location at Delancey Street, New York. The rent commencement date was July 1, 2018. Rent expense for the years ended June 30, 2020 and 2019 was approximately \$1,214,000 and \$1,233,600 respectively.

The Charter School also leases several apartment units to provide tutors with housing. Leases are renewed annually and rent expense for tutor housing for the years ended June 30, 2020 and 2019 was approximately \$260,500 and \$235,400 respectively.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 1,477,000
2022	554,000
	<u>\$ 2,031,000</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

For the years ended June 30, 2020 and 2019, approximately 84% and 85% of total operating revenue and support came from per-pupil funding provided by New York State through the New York City Department of Education, respectively. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE G: RELATED PARTY TRANSACTIONS

The Charter School entered into an academic, tutor and business service agreement with Great Oaks Foundation, Inc. ("GOF"), a not-for-profit organization dedicated to help start and run charter schools. The agreement provides academic, management and other administrative support services to the Charter School. Pursuant to the terms of the agreement, the Charter School shall pay GOF a service fee equivalent to 8.5% of the budgeted noncompetitive public revenue of the school for the year. Additionally, in 2017 the agreement was amended to include an additional service fee from the Charter School for each tutor, staff and teacher to the Charter School. The current agreement is effective through June 30, 2022; however, the agreement automatically renews for successive one year periods until the expiration of the Charter unless the Board of Trustees, by majority vote, or the Foundation declines to renew the agreement. Service fees were \$814,144 and \$672,514 for the years ended June 30, 2020 and 2019, respectively. These amounts are included in professional fees in the accompanying statement of functional expenses.

Approximately \$68,000 and \$56,000 of these service fees were accrued in amounts due to related party on the accompanying statement of financial position at June 30, 2020 and 2019, respectively .

In addition to the service fees described, the Charter School will pay GOF for expenses incurred on the Charter School's behalf. Approximately \$47,000 and \$60,900 of reimbursable expenses were accrued in amounts due to related party on the accompanying statement of financial position at June 30, 2020 and 2019, respectively.

Approximately, \$242,600 and \$124,000 of grant funding is due from GOF to the Charter School at June 30, 2020 and 2019, respectively. This amount is included in due from related party on the accompanying statement of financial position.

NOTE H: LONG-TERM DEBT

In connection with the lease agreement, the Charter School obtained an uncollateralized \$1,100,000 promissory note from Kunskapsskolan USA, Inc. for the leasehold improvements associated with their school space. The loan has an imputed interest rate of 8% per annum. The imputed fair value of the loan at July 1, 2015 was \$900,812. Interest expense for the years ended June 30, 2020 and 2019 was approximately \$24,600 and \$32,200 respectively. The loan matures on July 1, 2021.

Principal payments on the loan are due as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 100,000
2022	<u>50,000</u>
	150,000
Less imputed interest	<u>(33,210)</u>
	<u>\$ 116,790</u>

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE I: PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In response to the COVID-19 outbreak, in April 2020, the Charter School applied for and was approved by a bank for a loan of \$425,000 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 Charter School. The loan was funded on May 4, 2020. Due to the potential forgiveness, repayment terms have not been finalized as of the report date; therefore, the entire balance is classified as long-term as of June 30, 2020.

NOTE J: OPERATING LEASE

The Charter School leases office equipment under a non-cancelable lease agreement at a monthly cost of approximately \$2,500 through November 2022.

The future minimum payments on the lease agreement are approximately as follows:

<u>Year ending June 30.</u>	<u>Amount</u>
2021	\$ 30,000
2022	30,000
2023	<u>12,500</u>
	<u>\$ 72,500</u>

NOTE K: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all eligible employees. The Charter School matches 50% of the portion of the elective employee deferrals which does not exceed 4% of the participant's annual compensation. The Charter School may also elect to make additional contributions to the plan on a discretionary basis. The Charter School made contributions of approximately \$8,900 and \$8,500 for the years ended June 30, 2020 and 2019, respectively.

GREAT OAKS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE L: 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 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 (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.

GREAT OAKS 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
Great Oaks 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 Great Oaks 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, 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 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Great Oaks 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 Great Oaks Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Great Oaks 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 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-002, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Oaks Charter School 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

Great Oaks Charter School's Response to Findings

Great Oaks Charter School's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Great Oaks Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
October 30, 2020

GREAT OAKS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Finding 2020-001

Statement of condition

During the 2020 audit, we noted the Fiscal Policies and Procedures (“FPP”) were not always followed in practice. Our testing identified one instance where a contract for services in excess of \$25,000 was entered into by the Executive Director, but was not approved by the Board of Trustees. This contract was then paid with a check signed by the Executive Director and did not have a second signature as all checks over \$10,000 require.

Criteria and effect of conditions

The Charter School entered into a contract agreement without proper approval and the services were paid for without proper authorization.

Recommendation

We recommend the proper procedures are followed as documented in the FPP to ensure effective controls are in place with respect to contracts and check signing. If the current procedures are not workable, alternative procedures should be designed and implemented and the FPP updated accordingly.

Management’s response

We concur with the finding. This finding has been reviewed with the School management and finance staff. Corrective action has been taken to review upcoming procurement needs on a weekly basis to ensure that contracts in excess of \$25,000 are approved by the Board of Trustees prior to a contract agreement or purchase order. In addition, adoption of the online payment processing system for accounts payable will ensure that payments over \$10,000 will require the approval of the school leader and Treasurer for payment.

GREAT OAKS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2020

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2018-002

Statement of condition

During the 2018 audit, the prior auditors noted that due to the vacancy in the controller position, many accounts were not reconciled during the school year.

Criteria and effect of conditions

The Charter School should update and reconcile all material accounts on an ongoing basis.

At year end, the general ledger required significant entries to be recorded to reconcile many of the general ledger balances. This also delayed the audit process.

Recommendation

We recommend that the Charter School establish procedures to ensure that all material general ledger accounts be reconciled and reviewed on a monthly basis.

Management's response

We concur with the finding. The finding has been reviewed with management and staff. Corrective action has been taken and new procedures have already been implemented to reconcile all accounts on a monthly basis.

Prior year status

During our 2019 audit, we noted through the hiring of a new Chief Financial Officer and an outside accountant material general ledger accounts were reconciled, with the exception of accrued expenses which required a significant audit adjustment. We recommend the Charter School keep appropriate details regarding what accrued expenses consist of and ensure that this is reconciled and reviewed on a monthly basis.

Management's response

We concur with the finding. The finding has been reviewed with the School management and staff. Corrective action and new procedures have been implemented to keep the detailed expenses by vendor of the accrued expenses separate, and to ensure they are reconciled and reviewed on a monthly basis.

Current status

During our 2020 audit, we noted a significant number of general ledger accounts were not reconciled and required a significant number of adjusting entries throughout the audit process. We also noted all revenue was not recorded, which required a significant audit adjustment. We recommend the Charter School ensure all general ledger accounts are reconciled and reviewed on a monthly basis. We consider this finding to be a significant deficiency which also delayed the audit process.

Management's response

We concur with the finding. This finding has been reviewed with the School management and finance staff. Corrective action has been taken so that general ledger accounts are reviewed and reconciled on a monthly basis. Specific focus will be given to the revenue and accrued expense accounts.

GREAT OAKS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2020

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2018-003

Statement of condition

During the 2018 audit, the prior auditors noted that rent expense was recorded based on actual rent payments.

Criteria and effect of conditions

Rent expense should be recorded on the straight-line basis over the term of the lease. Management did not analyze the impact to the general ledger.

A journal entry for \$132,419 was required to correct rent expense.

Recommendation

We recommend that rent should be recorded based on the straight-line basis in the future.

Management's response

We concur with the finding. The finding has been reviewed with management and staff. Corrective action has been taken and the rent is going to be recorded on the straight-line basis on a monthly basis.

Prior year status

During our 2019 audit, we noted that the outside accountant made adjustments to record the rent expense on a straight-line basis. However, additional adjustments were required to account for fixed operating expenses included in the lease agreements. We recommend the Charter School incorporate these fixed expenses into their calculation of deferred rent going forward.

Management's response

We concur with the finding. The finding has been reviewed with the School management and staff. Corrective action and new procedures have been implemented to incorporate fixed operating expenses of the lease into the deferred rent calculation. This account will be reviewed and reconciled monthly.

Current status

During our 2020 audit, we noted the adjustments to record the rent expense on a straight line basis, includes the additional adjustments to account for fixed operating expenses included in the lease agreements were made. However, we noted an adjustment made to rent expense for \$19,250 that needed to be reversed. We recommend the Charter School reconcile the accounts to ensure proper account balances.

Management's response

We concur with the finding. This finding has been reviewed with the School management and finance staff. Corrective action has been taken so that rent, which is recorded on a straight-line basis with adjustments for fixed operating expenses included in the lease agreement, will be reviewed and reconciled on a monthly basis by the finance team to ensure proper account balances.



Annual Financial Statement Audit Report

for Board of Regents Authorized Charter Schools

School Name:	Great Oaks Charter School
Date (Report is due Nov. 1):	November 1, 2020
Primary District of Location (If NYC select NYC DOE):	New York City Department of Education
If located in NYC DOE select CSD:	NYCSD #1
School Fiscal Contact Name:	Benjamin Chan
School Fiscal Contact Email:	[REDACTED]
School Fiscal Contact Phone:	[REDACTED]
School Audit Firm Name:	Mengel, Metzger, Barr & Co., LLP
School Audit Contact Name:	Ray Jacobi
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	Included
Management Letter Response	Included
Form 990	2018 990 included
Federal Single Audit (A-133)	N/A
Corrective Action Plan	Included

Great Oaks Charter School
Statement of Financial Position
as of June 30

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 927,985	\$ 186,352
Grants and contracts receivable	80,098	98,301
Accounts receivables	-	-
Prepaid Expenses	112,624	121,926
Contributions and other receivables	242,577	123,999
Other current assets	-	-
TOTAL CURRENT ASSETS	<u>1,363,284</u>	<u>530,578</u>
<u>NON-CURRENT ASSETS</u>		
Property, Building and Equipment, net	\$ 511,918	\$ 764,642
Restricted Cash	75,223	75,192
Security Deposits	312,144	259,444
Other Non-Current Assets	-	-
TOTAL NON-CURRENT ASSETS	<u>899,285</u>	<u>1,099,278</u>
TOTAL ASSETS	<u>2,262,569</u>	<u>1,629,856</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 77,993	\$ 62,199
Accrued payroll, payroll taxes and benefits	316,975	193,855
Current Portion of Loan Payable	100,000	150,000
Due to Related Parties	114,364	116,960
Refundable Advances	-	-
Deferred Revenue	20,000	-
Other Current Liabilities	-	-
TOTAL CURRENT LIABILITIES	<u>629,332</u>	<u>523,014</u>
<u>LONG-TERM LIABILITIES</u>		
Loan Payable; Due in More than One Year	\$ 16,790	\$ 142,235
Deferred Rent	136,858	174,500
Due to Related Party	-	-
Other Long-Term Liabilities	425,000	-
TOTAL LONG-TERM LIABILITIES	<u>578,648</u>	<u>316,735</u>
TOTAL LIABILITIES	<u>1,207,980</u>	<u>839,749</u>
<u>NET ASSETS</u>		
Unrestricted	\$ 1,054,589	\$ 790,107
Temporarily restricted	-	-
Permanently restricted	-	-
TOTAL NET ASSETS	<u>1,054,589</u>	<u>790,107</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,262,569</u>	<u>1,629,856</u>

**Great Oaks Charter School
Statement of Activities
as of June 30**

	2020			2019
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE				
State and Local Per Pupil Revenue - Reg. Ed	\$ 4,809,436	\$ -	\$ 4,809,436	\$ 4,074,972
State and Local Per Pupil Revenue - SPED	1,164,236	-	1,164,236	782,992
State and Local Per Pupil Facilities Revenue	973,491	-	973,491	763,455
Federal Grants	325,213	-	325,213	341,401
State and City Grants	-	-	-	-
Other Operating Income	301,430	-	301,430	21,608
Food Service/Child Nutrition Program	-	-	-	-
TOTAL OPERATING REVENUE	7,573,806	-	7,573,806	5,984,428
EXPENSES				
Program Services				
Regular Education	\$ 4,587,257	\$ -	\$ 4,587,257	\$ 4,064,647
Special Education	3,107,699	-	3,107,699	2,343,979
Other Programs	-	-	-	-
Total Program Services	7,694,956	-	7,694,956	6,408,626
Management and general	257,084	-	257,084	221,843
Fundraising	-	-	-	-
TOTAL EXPENSES	7,952,040	-	7,952,040	6,630,469
SURPLUS / (DEFICIT) FROM OPERATIONS	(378,234)	-	(378,234)	(646,041)
SUPPORT AND OTHER REVENUE				
Interest and Other Income	\$ -	\$ -	\$ -	\$ -
Contributions and Grants	-	-	-	-
Fundraising Support	-	-	-	-
Investments	-	-	-	-
Donated Services	642,716	-	642,716	609,530
Other Support and Revenue	-	-	-	-
TOTAL SUPPORT AND OTHER REVENUE	642,716	-	642,716	609,530
Net Assets Released from Restrictions / Loss on Disposal of Assets	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET ASSETS	264,482	-	264,482	(36,511)
NET ASSETS - BEGINNING OF YEAR	\$ 790,107	\$ -	\$ 790,107	\$ 826,618
PRIOR YEAR/PERIOD ADJUSTMENTS	-	-	-	-
NET ASSETS - END OF YEAR	\$ 1,054,589	\$ -	\$ 1,054,589	\$ 790,107

**Great Oaks Charter School
Statement of Cash Flows**

as of June 30

	<u>2020</u>	<u>2019</u>
CASH FLOWS - OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 264,482	\$ (36,511)
Revenues from School Districts	-	-
Accounts Receivable	-	-
Due from School Districts	-	-
Depreciation	311,807	292,043
Grants Receivable	18,203	76,072
Due from NYS	-	-
Grant revenues	-	-
Prepaid Expenses	9,302	(41,920)
Accounts Payable	15,794	(64,148)
Accrued Expenses	-	-
Accrued Liabilities	123,120	73,345
Contributions and fund-raising activities	-	-
Miscellaneous sources	(121,174)	(7,039)
Deferred Revenue	20,000	2,371
Interest payments	24,555	32,167
Deferred Rent	(37,642)	42,081
	-	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	\$ 628,447	\$ 368,461
CASH FLOWS - INVESTING ACTIVITIES	\$	\$
Purchase of equipment	(59,083)	(364,201)
Other	(52,700)	-
NET CASH PROVIDED FROM INVESTING ACTIVITIES	\$ (111,783)	\$ (364,201)
CASH FLOWS - FINANCING ACTIVITIES	\$	\$
Principal payments on long-term debt	(200,000)	(200,000)
Other	425,000	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	\$ 225,000	\$ (200,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ 741,664	\$ (195,740)
Cash at beginning of year	261,544	457,284
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,003,208	\$ 261,544

**Great Oaks Charter School
Statement of Functional Expenses
as of June 30**

	No. of Positions	2020							2019	
		Program Services				Supporting Services			Total	Total
		Regular Education	Special Education	Other Education	Total	Fundraising	Management and General	Total		
Personnel Services Costs		\$	\$	\$	\$	\$	\$	\$	\$	
Administrative Staff Personnel	18.00	748,722	350,330	-	1,099,052	-	122,117	122,117	1,221,169	770,796
Instructional Personnel	23.00	849,227	832,367	-	1,681,594	-	-	-	1,681,594	1,208,842
Non-Instructional Personnel	-	-	-	-	-	-	-	-	-	-
Total Salaries and Staff	41.00	1,597,949	1,182,697	-	2,780,646	-	122,117	122,117	2,902,763	1,979,638
Fringe Benefits & Payroll Taxes		347,011	237,799	-	584,810	-	21,175	21,175	605,985	436,823
Retirement		-	-	-	-	-	-	-	-	-
Management Company Fees		-	-	-	-	-	-	-	-	-
Legal Service		-	-	-	-	-	-	-	-	-
Accounting / Audit Services		-	-	-	-	-	-	-	-	-
Other Purchased / Professional / Consulting Services		515,919	337,614	-	853,533	-	32,986	32,986	886,519	708,942
Building and Land Rent / Lease		1,047,906	712,773	-	1,760,679	-	54,278	54,278	1,814,957	1,768,731
Repairs & Maintenance		51,891	34,384	-	86,275	-	2,836	2,836	89,111	32,127
Insurance		37,926	25,990	-	63,916	-	2,314	2,314	66,230	55,766
Utilities		-	-	-	-	-	-	-	-	-
Supplies / Materials		77,545	42,027	-	119,572	-	1,531	1,531	121,103	69,399
Equipment / Furnishings		5,795	3,417	-	9,212	-	198	198	9,410	10,987
Staff Development		91,163	15,735	-	106,898	-	1,401	1,401	108,299	50,967
Marketing / Recruitment		29,279	14,257	-	43,536	-	156	156	43,692	16,260
Technology		77,409	51,788	-	129,197	-	4,370	4,370	133,567	110,211
Food Service		-	-	-	-	-	-	-	-	-
Student Services		22,961	80,128	-	103,089	-	20	20	103,109	385,773
Office Expense		-	-	-	-	-	-	-	-	-
Depreciation		178,553	122,358	-	300,911	-	10,896	10,896	311,807	292,043
OTHER		505,950	246,732	-	752,682	-	2,806	2,806	755,488	712,802
Total Expenses		\$ 4,587,257	\$ 3,107,699	\$ -	\$ 7,694,956	\$ -	\$ 257,084	\$ 257,084	\$ 7,952,040	\$ 6,630,469

GREAT OAKS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Finding 2020-001

Statement of condition

During the 2020 audit, we noted the Fiscal Policies and Procedures (“FPP”) were not always followed in practice. Our testing identified one instance where a contract for services in excess of \$25,000 was entered into by the Executive Director, but was not approved by the Board of Trustees. This contract was then paid with a check signed by the Executive Director and did not have a second signature as all checks over \$10,000 require.

Criteria and effect of conditions

The Charter School entered into a contract agreement without proper approval and the services were paid for without proper authorization.

Recommendation

We recommend the proper procedures are followed as documented in the FPP to ensure effective controls are in place with respect to contracts and check signing. If the current procedures are not workable, alternative procedures should be designed and implemented and the FPP updated accordingly.

Management’s response

We concur with the finding. This finding has been reviewed with the School management and finance staff. Corrective action has been taken to review upcoming procurement needs on a weekly basis to ensure that contracts in excess of \$25,000 are approved by the Board of Trustees prior to a contract agreement or purchase order. In addition, adoption of the online payment processing system for accounts payable will ensure that payments over \$10,000 will require the approval of the school leader and Treasurer for payment.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2018-002

Statement of condition

During the 2018 audit, the prior auditors noted that due to the vacancy in the controller position, many accounts were not reconciled during the school year.

Criteria and effect of conditions

The Charter School should update and reconcile all material accounts on an ongoing basis.

At year end, the general ledger required significant entries to be recorded to reconcile many of the general ledger balances. This also delayed the audit process.

Recommendation

We recommend that the Charter School establish procedures to ensure that all material general ledger accounts be reconciled and reviewed on a monthly basis.

Management's response

We concur with the finding. The finding has been reviewed with management and staff. Corrective action has been taken and new procedures have already been implemented to reconcile all accounts on a monthly basis.

Prior year status

During our 2019 audit, we noted through the hiring of a new Chief Financial Officer and an outside accountant material general ledger accounts were reconciled, with the exception of accrued expenses which required a significant audit adjustment. We recommend the Charter School keep appropriate details regarding what accrued expenses consist of and ensure that this is reconciled and reviewed on a monthly basis.

Management's response

We concur with the finding. The finding has been reviewed with the School management and staff. Corrective action and new procedures have been implemented to keep the detailed expenses by vendor of the accrued expenses separate, and to ensure they are reconciled and reviewed on a monthly basis.

Current status

During our 2020 audit, we noted a significant number of general ledger accounts were not reconciled and required a significant number of adjusting entries throughout the audit process. We also noted all revenue was not recorded, which required a significant audit adjustment. We recommend the Charter School ensure all general ledger accounts are reconciled and reviewed on a monthly basis. We consider this finding to be a significant deficiency which also delayed the audit process.

Management's response

We concur with the finding. This finding has been reviewed with the School management and finance staff. Corrective action has been taken so that general ledger accounts are reviewed and reconciled on a monthly basis. Specific focus will be given to the revenue and accrued expense accounts.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2018-003

Statement of condition

During the 2018 audit, the prior auditors noted that rent expense was recorded based on actual rent payments.

Criteria and effect of conditions

Rent expense should be recorded on the straight-line basis over the term of the lease. Management did not analyze the impact to the general ledger.

A journal entry for \$132,419 was required to correct rent expense.

Recommendation

We recommend that rent should be recorded based on the straight-line basis in the future.

Management's response

We concur with the finding. The finding has been reviewed with management and staff. Corrective action has been taken and the rent is going to be recorded on the straight-line basis on a monthly basis.

Prior year status

During our 2019 audit, we noted that the outside accountant made adjustments to record the rent expense on a straight-line basis. However, additional adjustments were required to account for fixed operating expenses included in the lease agreements. We recommend the Charter School incorporate these fixed expenses into their calculation of deferred rent going forward.

Management's response

We concur with the finding. The finding has been reviewed with the School management and staff. Corrective action and new procedures have been implemented to incorporate fixed operating expenses of the lease into the deferred rent calculation. This account will be reviewed and reconciled monthly.

Current status

During our 2020 audit, we noted the adjustments to record the rent expense on a straight line basis, includes the additional adjustments to account for fixed operating expenses included in the lease agreements were made. However, we noted an adjustment made to rent expense for \$19,250 that needed to be reversed. We recommend the Charter School reconcile the accounts to ensure proper account balances.

Management's response

We concur with the finding. This finding has been reviewed with the School management and finance staff. Corrective action has been taken so that rent, which is recorded on a straight-line basis with adjustments for fixed operating expenses included in the lease agreement, will be rereviewed and reconciled on a monthly basis by the finance team to ensure proper account balances.

New York State Education Department

Request for Proposals to Establish Charter Schools Authorized by the Board of Regents

2020-21 Budget & Cash Flow Template

General Instructions and Notes for New Application Budgets and Cash Flows Templates

1	Complete ALL SIX columns in BLUE
2	Enter information into the GRAY cells
3	Cells containing RED triangles in the upper right corner in columns B through G contain guidance on that particular item
4	School district per-pupil tuition information is located on the State Aid website at https://stateaid.nysed.gov/charter/ . Rows may be inserted in the worksheet to accommodate additional districts if necessary.
5	The Assumptions column should be completed for all revenue and expense items unless the item is self-explanatory. Where applicable, please reference the page number or section in the application narrative that indicates the assumption being made. For instance, student enrollment would reference the applicable page number in Section I, C of the application narrative.

Great Oaks Charter School

PROJECTED BUDGET FOR 2020-2021

July 1, 2020 to June 30, 2021

Assumptions

DESCRIPTION OF ASSUMPTIONS - Please note assumptions when applicable

Please Note: The student enrollment data is entered below in the Enrollment Section beginning in row 155. This will populate the data in row 10.

	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
Total Revenue	5,990,272	1,283,177	-	-	-	7,273,449
Total Expenses	3,606,939	3,494,053	-	-	491,663	7,592,655
Net Income	2,383,333	(2,210,876)	-	-	(491,663)	(319,206)
Actual Student Enrollment	263	56				-
Total Paid Student Enrollment	263	56				319

PROGRAM SERVICES

SUPPORT SERVICES

REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
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REVENUE

REVENUES FROM STATE SOURCES

Per Pupil Revenue

CY Per Pupil Rate

District of Location

\$16,123.00

- School District 2 (Enter Name)
- School District 3 (Enter Name)
- School District 4 (Enter Name)
- School District 5 (Enter Name)

4,243,090	1,283,177	-	-	-	5,526,267
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,243,090	1,283,177	-	-	-	5,526,267

Special Education Revenue

Grants

Stimulus

Other

Other State Revenue

-	-	-	-	-	-
-	-	-	-	-	-
981,890	-	-	-	-	981,890

TOTAL REVENUE FROM STATE SOURCES

5,224,980	1,283,177	-	-	-	6,508,157
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REVENUE FROM FEDERAL FUNDING

IDEA Special Needs

Title I

Title Funding - Other

School Food Service (Free Lunch)

Grants

Charter School Program (CSP) Planning & Implementation

Other

Other Federal Revenue

75,641	-	-	-	-	75,641
94,792	-	-	-	-	94,792
18,932	-	-	-	-	18,932
-	-	-	-	-	-
170,000	-	-	-	-	170,000
88,735	-	-	-	-	88,735
-	-	-	-	-	-

TOTAL REVENUE FROM FEDERAL SOURCES

448,100	-	-	-	-	448,100
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LOCAL and OTHER REVENUE

Contributions and Donations, Fundraising

Erate Reimbursement

Interest Income, Earnings on Investments,

NYC-DYCD (Department of Youth and Community Developmt.)

Food Service (Income from meals)

Text Book

Other Local Revenue

-	-	-	-	-	-
38,012	-	-	-	-	38,012
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
30,180	-	-	-	-	30,180
249,000	-	-	-	-	249,000

TOTAL REVENUE FROM LOCAL and OTHER SOURCES

317,192	-	-	-	-	317,192
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TOTAL REVENUE

5,990,272	1,283,177	-	-	-	7,273,449
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List exact titles and staff FTE"s (Full time equiivalent)

EXPENSES

ADMINISTRATIVE STAFF PERSONNEL COSTS

No. of Positions

Executive Management

5.00

Instructional Management

7.00

Deans, Directors & Coordinators

6.00

CFO / Director of Finance

-

Operation / Business Manager

-

Administrative Staff

-

TOTAL ADMINISTRATIVE STAFF

18

317,679	259,919	-	-	-	577,598
306,518	250,787	-	-	-	557,305
242,584	184,978	-	-	-	427,562
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
866,781	695,684	-	-	-	1,562,465

INSTRUCTIONAL PERSONNEL COSTS

Teachers - Regular

18.00

Teachers - SPED

7.00

Substitute Teachers

-

Teaching Assistants

-

Specialty Teachers

-

627,380	513,311	-	-	-	1,140,691
-	498,425	-	-	-	498,425
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Great Oaks Charter School

PROJECTED BUDGET FOR 2020-2021

July 1, 2020 to June 30, 2021

Assumptions

DESCRIPTION OF ASSUMPTIONS - Please note assumptions when applicable

Please Note: The student enrollment data is entered below in the Enrollment Section beginning in row 155. This will populate the data in row 10.

	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
Total Revenue	5,990,272	1,283,177	-	-	-	7,273,449
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Net Income	2,383,333	(2,210,876)	-	-	(491,663)	(319,206)
Actual Student Enrollment	263	56	-	-	-	-
Total Paid Student Enrollment	263	56	-	-	-	319

PROGRAM SERVICES

SUPPORT SERVICES

REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
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FACILITY OPERATION & MAINTENANCE

Insurance	38,316	31,350	-	-	-	69,666
Janitorial	79,750	65,250	-	-	-	145,000
Building and Land Rent / Lease	830,674	679,643	-	-	-	1,510,317
Repairs & Maintenance	26,125	21,375	-	-	-	47,500
Equipment / Furniture	-	-	-	-	3,500	3,500
Security	-	-	-	-	-	-
Utilities	104,259	85,303	-	-	-	189,562
TOTAL FACILITY OPERATION & MAINTENANCE	1,079,125	882,920	-	-	3,500	1,965,545

DEPRECIATION & AMORTIZATION

	158,371	129,576	-	-	-	287,947
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DISSOLUTION ESCROW & RESERVES / CONTIGENCY

	-	-	-	-	-	-
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TOTAL EXPENSES

	3,606,939	3,494,053	-	-	491,663	7,592,655
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NET INCOME

	2,383,333	(2,210,876)	-	-	(491,663)	(319,206)
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ENROLLMENT - *School Districts Are Linked To Above Entries*

	REGULAR EDUCATION	SPECIAL EDUCATION	TOTAL ENROLLED
District of Location	263	56	319
School District 2 (Enter Name)			-
School District 3 (Enter Name)			-
School District 4 (Enter Name)			-
School District 5 (Enter Name)			-
TOTAL ENROLLMENT	263	56	319
REVENUE PER PUPIL	22,777	22,914	-
EXPENSES PER PUPIL	13,715	62,394	-

CHASE BUSINESS SELECT HIGH YIELD SAVINGS

GREAT OAKS CHARTER SCHOOL

Account Number: XXXXXXXXXX

SAVINGS SUMMARY

	INSTANCES	AMOUNT
Beginning Balance		\$75,225.67
Deposits and Additions	1	1.22
Ending Balance	1	\$75,226.89
Annual Percentage Yield Earned This Period		0.02%
Interest Paid This Period		\$1.22
Interest Paid Year-to-Date		\$15.82

Your monthly service fee was waived because you maintained an average savings balance of \$10,000 or more during the statement period.

TRANSACTION DETAIL

DATE	DESCRIPTION	AMOUNT	BALANCE
	Beginning Balance		\$75,225.67
09/30	Interest Payment	1.22	75,226.89
	Ending Balance		\$75,226.89

You earned a higher interest rate on your Chase Business Select High Yield Savings account during this statement period because you had a qualifying Chase Platinum Business Checking account.

30 deposited items are provided with your account each month. There is a \$0.20 fee for each additional deposited item.

IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC FUNDS TRANSFERS: Call us at 1-866-564-2262 or write us at the address on the front of this statement (non-personal accounts contact Customer Service) immediately if you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt.

For personal accounts only: We must hear from you no later than 60 days after we sent you the FIRST statement on which the problem or error appeared. Be prepared to give us the following information:

- Your name and account number
- The dollar amount of the suspected error
- A description of the error or transfer you are unsure of, why you believe it is an error, or why you need more information.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days (or 20 business days for new accounts) to do this, we will credit your account for the amount you think is in error so that you will have use of the money during the time it takes us to complete our investigation.

IN CASE OF ERRORS OR QUESTIONS ABOUT NON-ELECTRONIC TRANSACTIONS: Contact the bank immediately if your statement is incorrect or if you need more information about any non-electronic transactions (checks or deposits) on this statement. If any such error appears, you must notify the bank in writing no later than 30 days after the statement was made available to you. For more complete details, see the Account Rules and Regulations or other applicable account agreement that governs your account. Deposit products and services are offered by JPMorgan Chase Bank, N.A. Member FDIC



JPMorgan Chase Bank, N.A. Member FDIC