

November 2, 2020

The Board of Trustees and Management
Health Sciences Charter School

In planning and performing our audit of the financial statements of Health Sciences Charter School (the School) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to errors or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Lumsden & McCormick, LLP

HEALTH SCIENCES CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Health Sciences Charter School

We have audited the accompanying balance sheets of Health Sciences Charter School (the School) as of June 30, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to a financial audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the School's internal control over financial reporting and compliance.



November 2, 2020

HEALTH SCIENCES CHARTER SCHOOL

Balance Sheets

June 30,	2020	2019
Assets		
Current assets:		
Cash	\$ 2,818,017	\$ 2,222,448
Receivables, net (Note 2)	472,243	172,478
Prepaid expenses	21,016	15,618
	<u>3,311,276</u>	<u>2,410,544</u>
Receivables - noncurrent (Note 2)	-	2,900
Property and equipment, net (Note 3)	6,071,264	6,344,252
Deposits and other assets	4,200	8,845
	<u>\$ 9,386,740</u>	<u>\$ 8,766,541</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 259,852	\$ 225,732
Accounts payable and accrued expenses	396,058	366,674
Refundable advances	-	3,381
	<u>655,910</u>	<u>595,787</u>
Long-term debt (Note 5)	7,143,194	7,407,184
Paycheck Protection Program loan (Note 6)	698,332	-
	<u>8,497,436</u>	<u>8,002,971</u>
Net assets:		
Without donor restrictions	821,674	756,528
With donor restrictions	67,630	7,042
	<u>889,304</u>	<u>763,570</u>
	<u>\$ 9,386,740</u>	<u>\$ 8,766,541</u>

HEALTH SCIENCES CHARTER SCHOOL

Statements of Activities

For the years ended June 30,	2020	2019
Changes in net assets without donor restrictions:		
Support and revenue:		
Enrollment fees:		
Revenue - resident student enrollment	\$ 4,867,120	\$ 5,591,171
Revenue - students with disabilities	454,753	526,199
Revenue - additional state aid	-	122,006
Contributions:		
Federal awards	465,667	432,471
State and other awards	34,718	24,591
Food service	10,577	18,396
Other income	60,221	52,836
Net assets released from restrictions	7,042	13,887
Total support and revenue	5,900,098	6,781,557
Expenses:		
Program expenses:		
Regular education	3,457,230	3,690,639
Special education	434,412	500,869
Other programs	616,905	656,550
Total program expenses	4,508,547	4,848,058
Supporting services:		
Management and general	1,326,405	1,456,246
Total expenses	5,834,952	6,304,304
Other items:		
Impairment loss (Note 3)	-	320,169
Change in net assets without donor restrictions	65,146	157,084
Changes in net assets with donor restrictions:		
Contributions - state and other awards	67,630	-
Net assets released from restrictions	(7,042)	(13,887)
Change in net assets with donor restrictions	60,588	(13,887)
Change in net assets	125,734	143,197
Net assets - beginning	763,570	620,373
Net assets - ending	\$ 889,304	\$ 763,570

See accompanying notes.

HEALTH SCIENCES CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2020

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative personnel	13.0	\$ -	\$ -	\$ -	\$ 652,061	\$ 652,061
Instructional personnel	37.5	1,671,343	291,027	-	-	1,962,370
Non-instructional personnel	3.0	-	-	241,914	-	241,914
Total salaries	53.5	1,671,343	291,027	241,914	652,061	2,856,345
Salaries		1,671,343	291,027	241,914	652,061	2,856,345
Employee benefits and taxes		313,801	54,641	45,420	122,427	536,289
Retirement		55,579	9,678	8,045	21,684	94,986
Supplies and materials		40,118	-	-	-	40,118
Transportation		-	-	12,196	-	12,196
Food service		-	-	148,091	-	148,091
Staff development		56,131	-	-	-	56,131
Student services		5,344	-	18,224	-	23,568
Occupancy		170,392	10,650	10,650	21,299	212,991
Utilities		62,856	3,929	3,929	7,857	78,571
Repairs and maintenance		60,217	3,764	3,764	7,527	75,272
Professional fees		-	-	-	172,426	172,426
Recruitment		-	-	-	24,122	24,122
Data and communications		173,655	-	-	-	173,655
Office expense		-	-	-	62,106	62,106
Contracted services		27,089	10,085	-	65,650	102,824
Insurance		-	-	-	52,637	52,637
Summer school		-	-	2,966	-	2,966
Athletics		-	-	63,718	-	63,718
Uniforms		10,493	-	-	-	10,493
Interest		513,778	32,111	32,111	64,222	642,222
Scholarships		-	-	7,350	-	7,350
Other expenses		-	-	-	15,333	15,333
		3,160,796	415,885	598,378	1,289,351	5,464,410
Depreciation		296,434	18,527	18,527	37,054	370,542
Total		\$ 3,457,230	\$ 434,412	\$ 616,905	\$ 1,326,405	\$ 5,834,952

See accompanying notes.

HEALTH SCIENCES CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2019

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative personnel	13.5	\$ -	\$ -	\$ -	\$ 712,727	\$ 712,727
Instructional personnel	51.0	1,800,265	342,763	-	-	2,143,028
Non-instructional personnel	2.5	-	-	177,867	-	177,867
Total salaries	67.0	1,800,265	342,763	177,867	712,727	3,033,622
Salaries		1,800,265	342,763	177,867	712,727	3,033,622
Employee benefits and taxes		362,881	69,091	35,853	143,665	611,490
Retirement		57,630	10,972	5,694	22,816	97,112
Supplies and materials		78,854	-	-	-	78,854
Transportation		-	-	1,313	-	1,313
Food service		-	-	239,281	-	239,281
Staff development		46,235	-	-	-	46,235
Student services		15,868	-	38,078	-	53,946
Occupancy		194,389	12,149	12,149	24,299	242,986
Utilities		66,143	4,134	4,134	8,268	82,679
Repairs and maintenance		42,446	2,653	2,653	5,306	53,058
Professional fees		-	-	-	224,154	224,154
Recruitment		-	-	-	19,807	19,807
Data and communications		158,419	-	-	-	158,419
Office expense		-	-	-	64,943	64,943
Contracted services		14,500	7,549	-	57,246	79,295
Insurance		-	-	-	48,923	48,923
Summer school		-	-	6,018	-	6,018
Athletics		-	-	71,692	-	71,692
Uniforms		28,069	-	-	-	28,069
Interest		524,163	32,760	32,760	65,520	655,203
Scholarships		-	-	10,260	-	10,260
Other expenses		-	-	-	20,974	20,974
		3,389,862	482,071	637,752	1,418,648	5,928,333
Depreciation		300,777	18,798	18,798	37,598	375,971
Total		\$ 3,690,639	\$ 500,869	\$ 656,550	\$ 1,456,246	\$ 6,304,304

See accompanying notes.

HEALTH SCIENCES CHARTER SCHOOL

Statements of Cash Flows

For the years ended June 30,	2020	2019
Operating activities:		
Cash received from public school districts	\$ 5,047,932	\$ 6,293,578
Cash received from federal, state and other awards	545,521	598,297
Cash received from other sources	66,987	66,723
Payments to employees for services and benefits	(3,484,799)	(3,752,762)
Payments to vendors and suppliers	(1,358,755)	(1,559,187)
Interest paid	(592,225)	(707,994)
Net operating activities	224,661	938,655
Investing activities:		
Property and equipment expenditures	(97,554)	(20,651)
Financing activities:		
Paycheck Protection Program loan	698,332	-
Payments on long-term debt	(229,870)	(232,408)
Net financing activities	468,462	(232,408)
Net change in cash	595,569	685,596
Cash - beginning	2,222,448	1,536,852
Cash - ending	\$ 2,818,017	\$ 2,222,448

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

Health Sciences Charter School (the School) was established in 2009 to operate a charter school in the City of Buffalo, New York (the City) pursuant to its Charter Agreement with the Board of Regents of the University of the State of New York. The School is chartered through 2024. The School is governed by a 10-member, uncompensated Board of Trustees and had 366 students in the 2019-20 year and 422 students in the 2018-19 year in grades 9 through 12.

New Accounting Standards Adopted:

During the year ended June 30, 2020, the School adopted two new comprehensive revenue recognition models under Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU).

ASU 2014-09, *Revenue from Contracts with Customers*, requires an organization to recognize revenue from exchange transactions to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 was adopted using the full retrospective method.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, addresses the differences between contributions and exchange transactions including guidance on timing and revenue recognition. ASU 2018-08 was adopted using the modified prospective method.

The adoption of these standards did not significantly impact the School's recognition of revenue and related accounts.

Cash:

Cash in financial institutions potentially subjects the School to concentrations of credit risk since it may exceed insured limits at various times throughout the year. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay for legal and audit expenses that would be associated with dissolution should it occur.

Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful asset lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Revenue Recognition:

Enrollment Fees:

Enrollment fees are received from the public-school districts in which the student resides. The amount received each year from the resident district is generally the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the School residing in that district. The respective districts also reimburse the School for special education service based on approved applicable rates for the services provided. Revenues are recognized over the period the services are provided. The School generally invoices the resident district bimonthly and payment is due in 30 days. Enrollment fees received in advance are deferred and recognized when earned. The School's enrollment fees are received primarily from the Board of Education for the City School District (the District).

In June 2019, all New York State charter schools serving students in the fiscal 2019 school year received additional state aid. The additional aid was based on the number of students served during fiscal 2019 and was paid directly from the New York State Education Department. No additional state aid was received for the year ended June 30, 2020.

Contributions:

Contributions, which include government awards, are reported at fair value at the date the pledge or award is received. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

Conditional contributions, primarily government awards, are recorded as revenue when the Organization meets requirements in compliance with specific agreements. Amounts received before the required conditions are met are reported as refundable advances on the accompanying balance sheets. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

Receivables:

Receivables are stated at the amounts management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

Net assets with Donor Restrictions:

Net assets with donor restrictions at June 30, 2020 is restricted for Behavioral Specialist Supports from a foundation.

Income Taxes:

The School is a 501(c)(3) corporation exempt from taxation under §501(a) of the Internal Revenue Code.

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through November 2, 2020, the date the financial statements were available to be issued.

Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Expense Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries and benefits, which are allocated based on estimates of time and effort, and depreciation, office expenses, and repairs and maintenance which are allocated based on management's estimate of program benefit.

2. Receivables:

	2020	2019
Enrollment fees	\$ 350,182	\$ 76,241
Contributions	118,250	99,137
Other	3,811	-
	\$ 472,243	\$ 175,378
Current	\$ 472,243	\$ 172,478
Noncurrent	-	2,900
	\$ 472,243	\$ 175,378

Enrollment fees receivable at June 30, 2020 includes \$284,500 withheld by the District for disputed rates of special education services provided by the School from 2008 through 2018 (see Note 10).

3. Property and Equipment:

	2020	2019
Land	\$ 152,520	\$ 152,520
Buildings and improvements	8,678,791	8,678,791
Equipment	1,387,679	1,290,125
	10,218,990	10,121,436
Less accumulated depreciation	4,147,726	3,777,184
	\$ 6,071,264	\$ 6,344,252

In 2019, the School re-evaluated the planned purpose for certain property, obtained an appraisal for the property, and recognized an impairment loss totaling \$320,169 to adjust the property's value as of June 30, 2019.

4. Short-Term Borrowings:

The School has available a \$450,000 bank demand line of credit for working capital financing. The line requires monthly interest payments at prime plus 1.0%. The line is secured by certain assets, is subject to the usual terms and conditions applied by the bank for working capital financing and is annually reviewed and renewed. There were no amounts outstanding at June 30, 2020 and 2019.

5. Long-Term Debt:

	2020	2019
Capital lease obligation, monthly payments ranging from \$20,000 to \$64,850 including imputed interest at 9.00%, due July 2037 (see Note 7).	\$ 5,898,738	\$ 5,974,903
Mortgage note payable, monthly payments of \$6,090 including interest at prime plus 2.75%, estimated balloon payment of \$530,000 due December 2023, secured by related assets.	610,232	633,830
Mortgage note payable, monthly payments of \$7,771 including interest at prime plus 2.75%, estimated balloon payment of \$40,000 due December 2023, secured by related assets.	310,732	372,210
Bank note payable, monthly payments of \$5,719 plus interest at prime plus 1%, estimated balloon payment of \$343,000 due December 2023, secured by related assets.	583,344	651,973
	<u>7,403,046</u>	<u>7,632,916</u>
Less current portion	<u>259,852</u>	<u>225,732</u>
	<u>\$ 7,143,194</u>	<u>\$ 7,407,184</u>

Aggregate maturities of long-term debt subsequent to June 30, 2020 are:

2021	\$ 259,852
2022	323,198
2023	349,794
2024	1,152,002
2025	196,513
Thereafter	<u>5,121,687</u>
	<u>\$ 7,403,046</u>

The bank note payable includes restrictive covenants relative to debt service coverage and enrollment levels. At June 30, 2020, the School was not in compliance with a covenant. On October 30, 2020, the School received a waiver for the appropriate periods.

6. Paycheck Protection Program Loan:

During 2020, the School received a loan totaling \$698,332 from the Small Business Administration under the Paycheck Protection Program of the Coronavirus Aid, Relief and Economic Security (CARES) Act, in response to the Pandemic as described in Note 11. Some or all of the loan may be forgiven if certain criteria is met. Otherwise, the loan is unsecured, bears interest at 1% and is payable over a negotiable period of time.

7. Lease Obligation:

In 2011, the School entered into a series of purchase, lease, and sublease contracts with a developer to acquire and renovate the School, and currently subleases the premises from the developer under an absolute triple net lease. The lease obligations and related assets have been capitalized for financial reporting purposes. Consequently, land, building and improvements include gross capitalized leased assets totaling \$5,942,832. Amortization of leased assets included in depreciation expense was \$237,713 in 2020 and 2019, and net book value of leased assets was \$3,803,416 and \$4,041,129 at June 30, 2020 and 2019.

The capital lease term extends through July 2036, with four successive five-year renewal options and a fifth renewal period of three years and seven months. The agreement contains a buyout provision whereby the School may terminate the lease any time after July 31, 2016 in consideration of payment of the remaining balance on the mortgage note payable and any other amounts due the landlord, plus a buyout provision. The buyout provision is based on a fixed schedule starting at \$1,860,931, with an annual escalation clause of 2.5%.

Future minimum annual rentals to be paid for the capital lease are:

2021	\$ 617,760
2022	617,760
2023	617,760
2024	617,760
2025	617,760
Thereafter	<u>8,410,080</u>
	<u>\$ 11,498,880</u>
Amounts representing interest	<u>5,600,142</u>
Net liability (See Note 5)	<u>\$ 5,898,738</u>

8. Retirement Plan:

The School has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code covering essentially all employees (as defined). The plan requires certain minimum employer contributions based on salaries and employee deferrals. Expenses related to the plan for the years ended June 30, 2020 and 2019 were \$94,986 and \$97,112.

9. Financial Assets Available for Operations:

The School obtains financial assets generally through enrollment fees and contributions. The financial assets are acquired throughout the year to help meet the School’s cash needs for general expenditures. If necessary, the School also has access to a \$450,000 bank demand line of credit (see Note 4).

The School’s financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,743,017	\$ 2,147,448
Receivables	472,243	172,478
	<u>\$ 3,215,260</u>	<u>\$ 2,319,926</u>

10. Contingency:

In 2019, an audit by the Office of the New York State Comptroller determined the District had provided incorrect special education rates for over a decade. As a result, there is a dispute with the rate used for aid that passes through the District to the School for special education services. In February 2020, the District informed the School of its intent to recoup approximately \$569,000 in special education aid paid over the past decade of which approximately \$284,500 was recouped through June 30, 2020. This recoupment, in the amount of approximately \$284,500 (Note 2), has been recorded as a receivable at June 30, 2020 in the accompanying financial statements.

In April 2020, a court ruling determined that charter schools must first exhaust administrative remedies by submitting a State intercept form to the New York State Education Department Commissioner (the Commissioner) to recover monies withheld from the School. Consequently, the School has submitted a State intercept to the Commissioner and is following the administrative procedures to resolve the matter. No liability is recorded in these financial statements since management believes the School will be successful in challenging the District’s recoupment of funds through the State administrative procedure.

11. Risks and Uncertainties due to COVID-19:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools and resulted in a severe disruption of operations for many organizations.

In March 2020, the School transitioned to remote instruction for the remainder of the 2019-20 School year. Consequently, enrollment fees and revenue for the year ended June 30, 2020 were not reduced. The School’s restart plan for the 2020-21 School year includes remote instruction in compliance with all government safety mandates.

The extent of the impact of COVID-19 on the School’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak, and its impact on schools, including its students and families, employees, and vendors, none of which can be predicted.

INDEPENDENT AUDITORS' 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*

The Board of Trustees
Health Sciences Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Health Sciences Charter School (the School), which comprise the balance sheet as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

November 2, 2020



Annual Financial Statement Audit Report

for Board of Regents Authorized Charter Schools

School Name:	Health Sciences Charter School
Date (Report is due Nov. 1):	November 1, 2020
Primary District of Location (If NYC select NYC DOE):	Buffalo City School District
If located in NYC DOE select CSD:	-
School Fiscal Contact Name:	Karen Burhans
School Fiscal Contact Email:	[REDACTED]
School Fiscal Contact Phone:	[REDACTED]
School Audit Firm Name:	Lumsden McCormick LLP
School Audit Contact Name:	Sarah Hopkins
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	N/A
Management Letter Response	N/A
Form 990	Extended
Federal Single Audit (A-133)	N/A
Corrective Action Plan	N/A

Health Sciences Charter School
Statement of Financial Position
as of June 30

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,818,017	\$ 2,222,448
Grants and contracts receivable	472,243	172,478
Accounts receivables	-	-
Prepaid Expenses	21,016	15,618
Contributions and other receivables	-	-
Other current assets	-	-
TOTAL CURRENT ASSETS	<u>3,311,276</u>	<u>2,410,544</u>
<u>NON-CURRENT ASSETS</u>		
Property, Building and Equipment, net	\$ 6,071,264	\$ 6,344,252
Restricted Cash	-	-
Security Deposits	4,200	8,845
Other Non-Current Assets	-	2,900
TOTAL NON-CURRENT ASSETS	<u>6,075,464</u>	<u>6,355,997</u>
TOTAL ASSETS	<u>9,386,740</u>	<u>8,766,541</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 396,058	\$ 366,674
Accrued payroll, payroll taxes and benefits	-	-
Current Portion of Loan Payable	259,852	225,732
Due to Related Parties	-	-
Refundable Advances	-	3,381
Deferred Revenue	-	-
Other Current Liabilities	-	-
TOTAL CURRENT LIABILITIES	<u>655,910</u>	<u>595,787</u>
<u>LONG-TERM LIABILITIES</u>		
Loan Payable; Due in More than One Year	\$ 7,143,194	\$ 7,407,184
Deferred Rent	-	-
Due to Related Party	-	-
Other Long-Term Liabilities	698,332	-
TOTAL LONG-TERM LIABILITIES	<u>7,841,526</u>	<u>7,407,184</u>
TOTAL LIABILITIES	<u>8,497,436</u>	<u>8,002,971</u>
<u>NET ASSETS</u>		
Unrestricted	\$ 821,674	\$ 756,528
Temporarily restricted	67,630	7,042
Permanently restricted	-	-
TOTAL NET ASSETS	<u>889,304</u>	<u>763,570</u>
TOTAL LIABILITIES AND NET ASSETS	<u>9,386,740</u>	<u>8,766,541</u>

Health Sciences 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	\$ 4,867,120	\$ -	\$ 4,867,120	\$ 5,591,171
State and Local Per Pupil Revenue - SPED	454,753	-	454,753	526,199
State and Local Per Pupil Facilities Revenue	-	-	-	122,006
Federal Grants	465,667	-	465,667	432,471
State and City Grants	34,718	-	34,718	24,591
Other Operating Income	60,221	-	60,221	52,836
Food Service/Child Nutrition Program	10,577	-	10,577	18,396
TOTAL OPERATING REVENUE	5,893,056	-	5,893,056	6,767,670
EXPENSES				
Program Services				
Regular Education	\$ 3,457,230	\$ -	\$ 3,457,230	\$ 3,690,639
Special Education	434,412	-	434,412	500,869
Other Programs	616,905	-	616,905	656,550
Total Program Services	4,508,547	-	4,508,547	4,848,058
Management and general	1,326,405	-	1,326,405	1,456,246
Fundraising	-	-	-	-
TOTAL EXPENSES	5,834,952	-	5,834,952	6,304,304
SURPLUS / (DEFICIT) FROM OPERATIONS	58,104	-	58,104	463,366
SUPPORT AND OTHER REVENUE				
Interest and Other Income	\$ -	\$ -	\$ -	\$ -
Contributions and Grants	-	67,630	67,630	-
Fundraising Support	-	-	-	-
Investments	-	-	-	-
Donated Services	-	-	-	-
Other Support and Revenue	-	-	-	-
TOTAL SUPPORT AND OTHER REVENUE	-	67,630	67,630	-
Net Assets Released from Restrictions / Loss on Disposal of Assets	\$ 7,042	\$ (7,042)	\$ -	\$ (320,169)
CHANGE IN NET ASSETS	65,146	60,588	125,734	143,197
NET ASSETS - BEGINNING OF YEAR	\$ 756,528	\$ 7,042	\$ 763,570	\$ 620,373
PRIOR YEAR/PERIOD ADJUSTMENTS	-	-	-	-
NET ASSETS - END OF YEAR	\$ 821,674	\$ 67,630	\$ 889,304	\$ 763,570

**Health Sciences Charter School
Statement of Cash Flows**

as of June 30

	2020	2019
CASH FLOWS - OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ -	\$ -
Revenues from School Districts	5,047,932	6,293,578
Accounts Receivable	-	-
Due from School Districts	-	-
Depreciation	-	-
Grants Receivable	-	-
Due from NYS	-	-
Grant revenues	-	-
Prepaid Expenses	-	-
Accounts Payable	-	-
Accrued Expenses	-	-
Accrued Liabilities	-	-
Contributions and fund-raising activities	165,304	66,723
Miscellaneous sources	447,204	598,297
Deferred Revenue	-	-
Interest payments	(592,225)	(707,994)
Payments to vendors and suppliers	(1,358,755)	(1,559,187)
Payments to employees for services and benefits	(3,484,799)	(3,752,762)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	\$ 224,661	\$ 938,655
CASH FLOWS - INVESTING ACTIVITIES		
Purchase of equipment	(97,554)	(20,651)
Other	-	-
NET CASH PROVIDED FROM INVESTING ACTIVITIES	\$ (97,554)	\$ (20,651)
CASH FLOWS - FINANCING ACTIVITIES		
Principal payments on long-term debt	(229,870)	(232,408)
Other	698,332	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	\$ 468,462	\$ (232,408)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ 595,569	\$ 685,596
Cash at beginning of year	2,222,448	1,536,852
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,818,017	\$ 2,222,448

**Health Sciences Charter School
Statement of Functional Expenses
as of June 30**

		2020							2019	
No. of Positions	Program Services				Supporting Services			Total		
	Regular Education	Special Education	Other Education	Total	Fundraising	Management and General	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Personnel Services Costs										
Administrative Staff Personnel	13.00	-	-	-	-	-	652,061	652,061	652,061	712,727
Instructional Personnel	37.50	1,671,343	291,027	-	1,962,370	-	-	-	1,962,370	2,143,028
Non-Instructional Personnel	3.00	-	-	241,914	241,914	-	-	-	241,914	177,867
Total Salaries and Staff	53.50	1,671,343	291,027	241,914	2,204,284	-	652,061	652,061	2,856,345	3,033,622
Fringe Benefits & Payroll Taxes		313,801	54,641	45,420	413,862	-	122,427	122,427	536,289	611,490
Retirement		55,579	9,678	8,045	73,302	-	21,684	21,684	94,986	97,112
Management Company Fees		-	-	-	-	-	-	-	-	-
Legal Service		-	-	-	-	-	3,556	3,556	3,556	13,495
Accounting / Audit Services		-	-	-	-	-	89,605	89,605	89,605	122,065
Other Purchased / Professional /		27,089	-	-	27,089	-	79,265	79,265	106,354	167,889
Building and Land Rent / Lease		170,392	10,650	10,650	191,692	-	21,299	21,299	212,991	898,189
Repairs & Maintenance		60,217	3,764	3,764	67,745	-	7,527	7,527	75,272	53,058
Insurance		-	-	-	-	-	52,637	52,637	52,637	48,923
Utilities		62,856	3,929	3,929	70,714	-	7,857	7,857	78,571	82,679
Supplies / Materials		40,118	-	-	40,118	-	-	-	40,118	78,854
Equipment / Furnishings		-	-	-	-	-	-	-	-	-
Staff Development		56,131	-	-	56,131	-	-	-	56,131	46,235
Marketing / Recruitment		-	-	-	-	-	24,122	24,122	24,122	19,807
Technology		173,655	-	-	173,655	-	-	-	173,655	158,419
Food Service		-	-	148,091	148,091	-	-	-	148,091	239,281
Student Services		15,837	10,085	104,454	130,376	-	-	-	130,376	55,259
Office Expense		-	-	-	-	-	62,106	62,106	62,106	64,943
Depreciation		296,434	18,527	18,527	333,488	-	37,054	37,054	370,542	375,971
OTHER		513,778	32,111	32,111	578,000	-	145,205	145,205	723,205	137,013
Total Expenses		\$ 3,457,230	\$ 434,412	\$ 616,905	\$ 4,508,547	\$ -	\$ 1,326,405	\$ 1,326,405	\$ 5,834,952	\$ 6,304,304

November 2, 2020

The Board of Trustees and Management
Health Sciences Charter School

In planning and performing our audit of the financial statements of Health Sciences Charter School (the School) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to errors or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Lumsden & McCormick, LLP

Charter School Name Here

Contact Name: Karen Burhans
 Contact Email: karenb@kirisitscpa.com
 Contact Phone: 716-881-0089 ext 304
 Term: July 1, 2020 to June 30, 2021

PROJECTED BUDGET FOR RENEWAL CHARTER PERIOD

DESCRIPTION OF ASSUMPTIONS

Note: The completion of this section is mandatory as this additional information is essential for NYSED to follow the assumptions in your budget.

Total Revenue	6,650,236
Total Expenses	6,289,887
Net Income (Before Cash Flow Adjustments)	360,349
Actual Student Enrollment	425
Total Paid Student Enrollment	-

**Year 1
2020-2021**

Note: Please insert additional detail lines as appropriate.

REVENUE

Per Pupil

REVENUES FROM STATE SOURCES

0.0%

Per Pupil Revenue:	CY Per Pupil Rate	Per Pupil	
School District 1 (Buffalo)	13,200	5,478,000	Enrollment: 415
School District 2 (Cheektowaga-Central)	11,310	33,930	Enrollment: 3
School District 3 (Cheektowaga-Maryvale)	11,730	11,730	Enrollment: 1
School District 4 (Cleveland Hill)	11,490	11,490	Enrollment: 1
School District 5 (Kenmore-Tonawanda)	10,370	20,740	Enrollment: 2
School District 6 (Lackawanna)	13,330	13,330	Enrollment: 1
School District - ALL OTHER	12,170	24,340	Enrollment: Sweethome (1), West Seneca (1)
TOTAL Per Pupil Revenue (Average Districts Per Pupil Funding)	11,943	5,593,560	31 students at 0.9 FTE, 9 students at 1.65 FTE
Special Education Revenue		363,600	
Grants			
Other		(111,870)	Possible additional reduction in state aid - 2%
TOTAL REVENUE FROM STATE SOURCES		5,845,290	

REVENUE FROM FEDERAL FUNDING

IDEA Special Needs	62,400	
Title I	220,000	
Title Funding - Other	41,000	
School Food Service (Free Lunch)	-	
Grants	205,506	ESSER
TOTAL REVENUE FROM FEDERAL SOURCES	528,906	

LOCAL and OTHER REVENUE

Contributions and Donations	-	
Fundraising	-	
Erate Reimbursement	-	
Earnings on Investments	-	
Interest Income	-	
Food Service (Income from meals)	230,000	
Text Book	-	
OTHER	46,040	Uniforms: \$15,940, Student activities: \$10,000, E-Rate: \$20,000, Interest: \$100
TOTAL REVENUE FROM LOCAL and OTHER SOURCES	276,040	

TOTAL REVENUE	6,650,236
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EXPENSES

ADMINISTRATIVE STAFF PERSONNEL COSTS

	No. of Positions		
Executive Management	1.00	112,750	2.50% increase - HOS
Instructional Management	3.00	234,690	2.50% increase - Principal and Asst Principals
Deans, Directors & Coordinators	2.00	150,330	2.50% increase - IT Coordinator + CIO
CFO / Director of Finance	-	-	
Operation / Business Manager	1.00	65,660	2.50% increase - Financial Operations Coordinator
Administrative Staff	4.00	154,070	2.50% increase - Receptionist, support staff, etc.
TOTAL ADMINISTRATIVE STAFF	11.00	717,500	

INSTRUCTIONAL PERSONNEL COSTS

Teachers - Regular	15.00	783,215	2.50% increase
Teachers - SPED	4.00	201,070	2.50% increase
Substitute Teachers	-	69,600	2.50% increase
Teaching Assistants	1.00	26,570	2.50% increase
Specialty Teachers	15.00	628,090	2.50% increase
Aides	-	-	
Therapists & Counselors	4.00	186,190	2.50% increase
Other	-	114,430	Summer school and athletics
TOTAL INSTRUCTIONAL	39.00	2,009,165	

NON-INSTRUCTIONAL PERSONNEL COSTS

Nurse	-	-	
Librarian	-	-	
Custodian	1.00	51,490	2.50% increase
Security	4.00	130,530	2.50% increase
Other	-	-	
TOTAL NON-INSTRUCTIONAL	5.00	182,020	

SUBTOTAL PERSONNEL SERVICE COSTS

55.00	2,908,685
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PAYROLL TAXES AND BENEFITS

Payroll Taxes	305,400	10.50% of salaries
Fringe / Employee Benefits	265,200	10% increase in health insurance. Health insurance is provided for full-time staff
Retirement / Pension	160,000	5.5% of salaries - 403(b)
TOTAL PAYROLL TAXES AND BENEFITS	730,600	

TOTAL PERSONNEL SERVICE COSTS

55.00	3,639,285
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CONTRACTED SERVICES

Accounting / Audit	133,990	2% increase, accounting: \$115,630, audit: \$18,360
Legal	26,520	2% increase
Management Company Fee	-	
Nurse Services	-	
Food Service / School Lunch	235,000	
Payroll Services	60,000	2% increase
Special Ed Services	1,000	4% increase, Speech & OT services
Titlement Services (i.e. Title I)	-	
Related service provider costs not reimbursed by the district of residence	-	
Other Purchased / Professional / Consulting	119,700	Instructional consultants \$14,590, summer school \$25,670, grant consultants: \$73,920, Miscellaneous: \$5,520
TOTAL CONTRACTED SERVICES	576,210	

SCHOOL OPERATIONS

Board Expenses	1,000	
Classroom / Teaching Supplies & Materials	-	
Special Ed Supplies & Materials	-	
Textbooks / Workbooks	40,800	4% increase
Supplies & Materials other	20,800	4% increase
Equipment / Furniture	-	
Telephone	24,730	3% increase
Technology	146,665	3% increase. BOCES \$80,000, Other \$66,665
Student Testing & Assessment	2,000	
Field Trips	5,160	4% increase
Transportation (student)	5,150	4% increase
Student Services - other	100,180	Athletics \$52,960, Student services \$7,800, Scholarships \$3,000, Student activities \$10,920, Uniforms \$25,500
Office Expense	61,640	2% increase
Staff Development	44,840	Tuition reimbursement 9 x \$1,250 each, BOCES \$15,000, other \$14,590
Staff Recruitment	6,800	3% increase. Teacher recruitment \$5,150, Intern recruitment \$1,650
Student Recruitment / Marketing	30,900	3% increase
School Meals / Lunch	-	
Travel (Staff)	-	

Fundraising	-	
Other	656,177	Work based learning \$11,000, Dues & Memberships \$7,600, Miscellaneous \$5,260, Bank charges \$2,120, Interest \$630,197
TOTAL SCHOOL OPERATIONS	1,146,842	
FACILITY OPERATION & MAINTENANCE		
Insurance	75,900	3% increase
Janitorial	248,320	Supplies \$12,810. Maintenance contract \$235,510
Building and Land Rent / Lease	-	
Repairs & Maintenance	130,430	3% increase
Equipment / Furniture	-	
Security	-	
Utilities	82,900	\$1.30 per square foot
TOTAL FACILITY OPERATION & MAINTENANCE	537,550	
DEPRECIATION & AMORTIZATION		
Depreciation	390,000	
Insert Detail as Applicable	-	
Insert Detail as Applicable	-	
TOTAL DEPRECIATION AND AMORTIZATION	390,000	
*****TOTAL FUNDS IN DISSOLUTION ESCROW & RESERVES / CONTIGENCY	-	<i>\$100,000 by December 31st of YR 2 (2022-2023). You should already</i>
TOTAL EXPENSES	6,289,887	
NET INCOME	360,349	

ENROLLMENT - *School Districts Are Linked To Above Entries*		Add as many school districts as necessary.
School District 1 (Buffalo)	415	
School District 2 (Cheektowaga-Central)	3	
School District 3 (Cheektowaga-Maryvale)	1	
School District 4 (Cleveland Hill)	1	
School District 5 (Kenmore-Tonawanda)	2	
School District 6 (Lackawanna)	1	
School District - ALL OTHER	2	
TOTAL ENROLLMENT	425	
REVENUE PER PUPIL	15,648	
EXPENSES PER PUPIL	14,800	

CASH FLOW ADJUSTMENTS		
OPERATING ACTIVITIES		
Add back - depreciation	390,000	
Other	-	
Total Operating Activities	390,000	
INVESTMENT ACTIVITIES		
Example - Subtract Property and Equipment Expenditures	(324,000)	125 student chromedooks at \$500 each, tech carts \$2,500, 10 staff chromebooks at \$600 each, 5 desktops at \$600 each, Replace concrete on parking apron \$50,000, Full Replacement of roof \$150,000, other building \$75,000
Other	-	
Total Investment Activities	(324,000)	
FINANCING ACTIVITIES		
Example - Add Expected Proceeds from a Loan or Line of Credit	-	
Other	(250,632)	Principal payments on debts - LOC, building leases, capital leases
Total Financing Activities	(250,632)	
Total Cash Flow Adjustments	(184,632)	
NET INCOME	175,717	
Beginning Cash Balance	-	
ENDING CASH BALANCE	175,717	