



**Board of Trustees
La Cima Charter School**

Auditors' Communication on Internal Controls

In planning and performing our audit of the financial statements of La Cima 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 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 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.

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 deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

This communication is intended solely for the information and use of the management, the Board of Trustees, federal, state, and local awarding agencies, The State Education Department of the State University of New York, and others within the School, and is not intended to be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the School during the course of our audit.

PKF O'Connor Davies, LLP

Harrison, New York
September 29, 2020

La Cima Charter School

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Trustees
La Cima Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of La Cima Charter School (the "School"), which comprise the statements of financial position 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 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 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 its 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 September 29, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.

PKF O'Connor Davies, LLP

Harrison, New York
September 29, 2020

La Cima Charter School

Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash	\$ 280,537	\$ 457,788
Grants and contracts receivable	172,095	138,115
Prepaid expenses and other current assets	<u>27,358</u>	<u>91,081</u>
Total Current Assets	479,990	686,984
Investments	1,164,663	1,126,931
Property and equipment, net	442,142	392,354
Security deposits	13,765	13,765
Restricted cash	<u>100,004</u>	<u>75,106</u>
	<u>\$ 2,200,564</u>	<u>\$ 2,295,140</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 90,918	\$ 178,511
Accrued payroll and payroll taxes	429,234	477,419
Refundable advances	<u>-</u>	<u>20,168</u>
Total Current Liabilities	520,152	676,098
Net assets, without donor restrictions	<u>1,680,412</u>	<u>1,619,042</u>
	<u>\$ 2,200,564</u>	<u>\$ 2,295,140</u>

La Cima Charter School

Statements of Activities

	Year Ended June 30,	
	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
State and local per pupil operating revenue	\$ 5,786,916	\$ 6,186,887
Federal grants	198,079	249,764
State grants	28,996	27,292
Other income	1,952	4,929
Investment income, net	<u>37,956</u>	<u>40,555</u>
Total Revenue and Support	<u>6,053,899</u>	<u>6,509,427</u>
EXPENSES		
Program Services		
Regular education	3,661,062	4,220,339
Special education	944,791	1,104,369
After school program	<u>-</u>	<u>30,339</u>
Total Program Services	4,605,853	5,355,047
Supporting Services		
Management and general	<u>1,386,676</u>	<u>1,401,102</u>
Total Expenses	<u>5,992,529</u>	<u>6,756,149</u>
Change in Net Assets	61,370	(246,722)
NET ASSETS		
Beginning of year	<u>1,619,042</u>	<u>1,865,764</u>
End of year	<u>\$ 1,680,412</u>	<u>\$ 1,619,042</u>

La Cima Charter School

Statement of Functional Expenses
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and	Total
		Regular Education	Special Education	Total	General	
Personnel Services Costs						
Administrative staff personnel	13	\$ 616,090	\$ -	\$ 616,090	\$ 683,978	\$ 1,300,068
Instructional personnel	36	1,753,486	611,503	2,364,989	-	2,364,989
Non-Instructional personnel	5	-	-	-	156,838	156,838
Total Salaries and Staff	<u>54</u>	<u>2,369,576</u>	<u>611,503</u>	<u>2,981,079</u>	<u>840,816</u>	<u>3,821,895</u>
Employee benefits and payroll taxes		555,071	143,243	698,314	196,961	895,275
Retirement		33,524	8,652	42,176	11,896	54,072
Staff development		78,905	20,363	99,268	27,998	127,266
Legal services		-	-	-	6,478	6,478
Accounting/audit services		-	-	-	22,392	22,392
Other purchased/professional/consulting services		136,029	35,104	171,133	48,268	219,401
Marketing/recruitment		34,944	9,018	43,962	12,399	56,361
Supplies and materials		136,572	35,244	171,816	48,461	220,277
Student services		34,967	9,024	43,991	12,408	56,399
Office expenses		9,218	2,379	11,597	3,271	14,868
Insurance		21,056	5,434	26,490	7,471	33,961
Technology		103,569	26,728	130,297	36,750	167,047
Equipment/furnishings		15,747	4,063	19,810	5,588	25,398
Facility expense		43,599	11,252	54,851	74,192	129,043
Depreciation and amortization		78,134	20,164	98,298	27,725	126,023
Other expenses		10,151	2,620	12,771	3,602	16,373
 Total Expenses		<u>\$ 3,661,062</u>	<u>\$ 944,791</u>	<u>\$ 4,605,853</u>	<u>\$ 1,386,676</u>	<u>\$ 5,992,529</u>

La Cima Charter School

Statement of Functional Expenses
Year Ended June 30, 2019

	No. of Positions	Program Services			Total	Management and	Total
		Regular Education	Special Education	After School		General	
Personnel Services Costs							
Administrative staff personnel	13	\$ 697,953	\$ -	\$ -	\$ 697,953	\$ 754,062	\$ 1,452,015
Instructional personnel	46	1,986,483	720,771	29,115	2,736,369	-	2,736,369
Non-Instructional personnel	5	-	-	-	-	141,351	141,351
Total Salaries and Staff	<u>64</u>	<u>2,684,436</u>	<u>720,771</u>	<u>29,115</u>	<u>3,434,322</u>	<u>895,413</u>	<u>4,329,735</u>
Employee benefits and payroll taxes		627,650	168,554	-	796,204	216,135	1,012,339
Retirement		53,253	14,298	-	67,551	18,340	85,891
Staff development		95,066	25,581	210	120,857	32,808	153,665
Legal services		-	-	-	-	176	176
Accounting/audit services		-	-	-	-	23,783	23,783
Other purchased/professional/consulting services		160,884	43,291	349	204,524	55,529	260,053
Marketing/recruitment		42,820	11,522	91	54,433	14,779	69,212
Supplies and materials		195,422	32,862	-	228,284	-	228,284
Student services		85,179	14,311	-	99,490	-	99,490
Office expenses		8,314	2,237	18	10,569	2,870	13,439
Insurance		17,852	4,804	39	22,695	6,162	28,857
Technology		115,534	31,088	251	146,873	39,877	186,750
Equipment/furnishings		9,761	1,640	-	11,401	-	11,401
Facility expense		23,679	6,372	54	30,105	60,549	90,654
Depreciation and amortization		84,599	22,763	181	107,543	29,199	136,742
Other expenses		15,890	4,275	31	20,196	5,482	25,678
 Total Expenses		<u>\$ 4,220,339</u>	<u>\$ 1,104,369</u>	<u>\$ 30,339</u>	<u>\$ 5,355,047</u>	<u>\$ 1,401,102</u>	<u>\$ 6,756,149</u>

La Cima Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 61,370	\$ (246,722)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	126,023	136,742
Unrealized gain on investments	(37,732)	(40,288)
Changes in operating assets and liabilities		
Grants and contracts receivable	(33,980)	314,659
Prepaid expenses and other current assets	63,723	(72,548)
Accounts payable and accrued expenses	(87,593)	(16,885)
Accrued payroll and payroll taxes	(48,185)	49,607
Refundable advances	(20,168)	20,168
Net Cash from Operating Activities	23,458	144,733
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(175,811)	(115,222)
Net Change in Cash and Restricted Cash	(152,353)	29,511
CASH AND RESTRICTED CASH		
Beginning of year	532,894	503,383
End of year	\$ 380,541	\$ 532,894
The following table provides a reconciliation of cash and restricted cash within the statements of financial position:		
Cash	\$ 280,537	\$ 457,788
Restricted cash	100,004	75,106
	\$ 380,541	\$ 532,894

La Cima Charter School

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

La Cima Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. During 2016, the School renewed its charter for an additional five-year term expiring June 30, 2021. The School's mission is to prepare students for academic and life-long success through a rigorous and relevant academic program. The School's vision is to develop scholars who have the intellectual capacity, the emotional strength of character and the social capital to be individually successful, and to act as effective change-makers in their communities. Classes commenced in Bedford-Stuyvesant, Brooklyn, New York, in August 2008 and the School provided education to approximately 320 students in grades kindergarten through fifth during the 2019-2020 academic year.

The School shares space with a New York City public school at no annual cost. The School occupies approximately 9,750 square feet on one floor of a public school building. The School also shares the gymnasium and cafeteria with the public school which approximates 4,375 square feet. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

The New York City Department of Education provides free lunches and reduced-price lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers the unreimbursed cost of lunches for children not entitled to the free lunches. The Office of Pupil Transportation provides free transportation to the majority of students during the district's school days.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

La Cima Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Adoption of New Accounting Policies

Recognition of Contributions

Effective July 1, 2019, the School adopted Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Restricted Cash

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash flows. On July 1, 2019, the School adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the School to 1) include restricted cash and restricted cash equivalents in the cash and cash equivalents balances on the statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statements of financial position, 3) eliminate the presentation of transfers between restricted cash and cash, and 4) include disclosures about the nature of the restrictions for material balances. Adoption of the ASU resulted in a change in the accounting for restricted cash on the statements of cash flows.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School’s operations. Net assets without donor restrictions may be used at the discretion of the School’s management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2020 and 2019.

La Cima Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements

The School follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Investments are stated at fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,500 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset which is fifteen years. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Software	3 years
Music supplies	3 years
Computers and equipment	5 years
Library books	5 years
Furniture and fixtures	7 years

La Cima Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2020 and 2019.

Refundable Advance

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2020 and 2019 was \$56,361 and \$69,212.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2017.

La Cima Charter School

Notes to Financial Statements
June 30, 2020 and 2019

3. Grants and Contracts Receivable

Grants and contracts receivable primarily consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year and has not provided an allowance for doubtful accounts.

4. Fair Value of Investments

The School's investments as of June 30, 2020 and 2019 consisted of fixed income bonds in the amounts of \$1,164,663 and \$1,126,931 categorized as Level 2 in the fair value hierarchy.

The composition of investment income, net as reported in the statements of activities for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 224	\$ 267
Net unrealized gain	37,732	40,288
	<u>\$ 37,956</u>	<u>\$ 40,555</u>

5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 197,324	\$ 197,324
Computers and equipment	690,489	545,870
Software	10,800	10,800
Library books	39,982	37,830
Music supplies	3,832	3,832
Leasehold improvements	446,974	417,934
	1,389,401	1,213,590
Accumulated depreciation and amortization	<u>(947,259)</u>	<u>(821,236)</u>
	<u>\$ 442,142</u>	<u>\$ 392,354</u>

La Cima Charter School

Notes to Financial Statements June 30, 2020 and 2019

6. Liquidity and Availability

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, are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 280,537	\$ 457,788
Grants and contracts receivable	172,095	138,115
	<u>\$ 452,632</u>	<u>\$ 595,903</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts and fixed income bonds until it is required for operational use.

7. Employee Benefit Plan

The School maintains a retirement plan qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. Under this plan, the School can elect to contribute an amount equal to at least 2% of the participant's annual compensation. In addition, the School can also elect to make a discretionary contribution to the employees who are eligible, not to exceed 5% of their annual compensation. Employer match for the years ended June 30, 2020 and 2019 amounted to \$54,072 and \$85,891.

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2020 and 2019, approximately \$130,000 and \$283,000 of cash was maintained with an institution in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2020 and 2019, the School received approximately 96% and 95% of its revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

La Cima Charter School

Notes to Financial Statements June 30, 2020 and 2019

10. Commitment

On July 14, 2016, the School signed a lease with Stuyvesant Street Realty LLC, for additional office space under a non-cancelable lease that expired August 31, 2019. In August 2019 the lease was renewed through August 2021. Under the terms of the lease, the School paid a security deposit in the amount of \$13,500. The School did not recognize rent expense on a straight-line basis due to the short term of the lease.

Future minimum lease payments are as follows for the years ending June 30:

2021	\$	60,482
2022		<u>10,130</u>
	\$	<u>70,612</u>

Rent expense under this lease for the years ended June 30, 2020 and 2019 was \$58,721 and \$52,375.

11. Subsequent Event

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 29, 2020.

On August 5, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$900,000 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The School believes that most, if not all, of the PPP Loan will meet the requirements for debt forgiveness. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan through the date principal is repaid in full or maturity date.

12. Contingency

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

La Cima Charter School

Notes to Financial Statements
June 30, 2020 and 2019

13. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.



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

Independent Auditors' Report

**Board of Trustees
La Cima 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 La Cima Charter School (the "School"), which comprise the statement of financial position 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 September 29, 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.

PKF O'Connor Davies, LLP

Harrison, New York
September 29, 2020



Annual Financial Statement Audit Report

for Board of Regents Authorized Charter Schools

School Name:	LaCima Charter School
Date (Report is due Nov. 1):	November 1, 2020
Primary District of Location (If NYC select NYC DOE):	-
If located in NYC DOE select CSD:	-
School Fiscal Contact Name:	Adel Hageb
School Fiscal Contact Email:	[REDACTED]
School Fiscal Contact Phone:	[REDACTED]
School Audit Firm Name:	PKF O'Connor Davies, LLP
School Audit Contact Name:	Joseph Ciorciari
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	
Management Letter Response	
Form 990	
Federal Single Audit (A-133)	
Corrective Action Plan	

LaCima Charter School
Statement of Financial Position
as of June 30

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 280,537	\$ 457,788
Grants and contracts receivable	172,095	138,115
Accounts receivables	-	-
Prepaid Expenses	27,358	91,081
Contributions and other receivables	-	-
Other current assets	1,164,663	1,126,931
TOTAL CURRENT ASSETS	1,644,653	1,813,915
<u>NON-CURRENT ASSETS</u>		
Property, Building and Equipment, net	\$ 442,142	\$ 392,354
Restricted Cash	100,004	75,106
Security Deposits	13,765	13,765
Other Non-Current Assets	-	-
TOTAL NON-CURRENT ASSETS	555,911	481,225
TOTAL ASSETS	<u>2,200,564</u>	<u>2,295,140</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 90,918	\$ 178,511
Accrued payroll, payroll taxes and benefits	429,234	477,419
Current Portion of Loan Payable	-	-
Due to Related Parties	-	-
Refundable Advances	-	20,168
Deferred Revenue	-	-
Other Current Liabilities	-	-
TOTAL CURRENT LIABILITIES	520,152	676,098
<u>LONG-TERM LIABILITIES</u>		
Loan Payable; Due in More than One Year	\$ -	\$ -
Deferred Rent	-	-
Due to Related Party	-	-
Other Long-Term Liabilities	-	-
TOTAL LONG-TERM LIABILITIES	-	-
TOTAL LIABILITIES	<u>520,152</u>	<u>676,098</u>
<u>NET ASSETS</u>		
Unrestricted	\$ 1,680,412	\$ 1,619,042
Temporarily restricted	-	-
Permanently restricted	-	-
TOTAL NET ASSETS	<u>1,680,412</u>	<u>1,619,042</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,200,564</u>	<u>2,295,140</u>

**LaCima 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	\$ 5,786,916	\$ -	\$ 5,786,916	\$ 6,186,887
State and Local Per Pupil Revenue - SPED	198,079	-	198,079	249,764
State and Local Per Pupil Facilities Revenue	-	-	-	-
Federal Grants	-	-	-	-
State and City Grants	28,996	-	28,996	27,292
Other Operating Income	-	-	-	-
Food Service/Child Nutrition Program	-	-	-	-
TOTAL OPERATING REVENUE	6,013,991	-	6,013,991	6,463,943
EXPENSES				
Program Services				
Regular Education	\$ 3,661,062	\$ -	\$ 3,661,062	\$ 4,220,339
Special Education	944,791	-	944,791	1,104,369
Other Programs	-	-	-	30,339
Total Program Services	4,605,853	-	4,605,853	5,355,047
Management and general	1,386,676	-	1,386,676	1,401,102
Fundraising	-	-	-	-
TOTAL EXPENSES	5,992,529	-	5,992,529	6,756,149
SURPLUS / (DEFICIT) FROM OPERATIONS	21,462	-	21,462	(292,206)
SUPPORT AND OTHER REVENUE				
Interest and Other Income	\$ 1,952	\$ -	\$ 1,952	\$ 4,929
Contributions and Grants	-	-	-	-
Fundraising Support	-	-	-	-
Investments	37,956	-	37,956	40,555
Donated Services	-	-	-	-
Other Support and Revenue	-	-	-	-
TOTAL SUPPORT AND OTHER REVENUE	39,908	-	39,908	45,484
Net Assets Released from Restrictions / Loss on Disposal of Assets	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET ASSETS	61,370	-	61,370	(246,722)
NET ASSETS - BEGINNING OF YEAR	\$ 1,619,042	\$ -	\$ 1,619,042	\$ 1,865,764
PRIOR YEAR/PERIOD ADJUSTMENTS	-	-	-	-
NET ASSETS - END OF YEAR	\$ 1,680,412	\$ -	\$ 1,680,412	\$ 1,619,042

**LaCima 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	\$ 61,370	\$ (246,722)
Revenues from School Districts	-	-
Accounts Receivable	-	-
Due from School Districts	-	-
Depreciation	126,023	136,742
Grants Receivable	(33,980)	314,659
Due from NYS	-	-
Grant revenues	-	-
Prepaid Expenses	63,723	(72,548)
Accounts Payable	(87,593)	(16,885)
Accrued Expenses	-	-
Accrued Liabilities	(48,185)	49,607
Contributions and fund-raising activities	-	-
Miscellaneous sources	-	-
Deferred Revenue	-	-
Interest payments	-	-
Refundable Advance	(20,168)	20,168
Unrealized gain on investments	(37,732)	(40,288)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	\$ 23,458	\$ 144,733
CASH FLOWS - INVESTING ACTIVITIES		
Purchase of equipment	(175,811)	(115,222)
Other	-	-
NET CASH PROVIDED FROM INVESTING ACTIVITIES	\$ (175,811)	\$ (115,222)
CASH FLOWS - FINANCING ACTIVITIES		
Principal payments on long-term debt	-	-
Other	-	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	\$ -	\$ -
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (152,353)	\$ 29,511
Cash at beginning of year	532,894	503,383
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 380,541	\$ 532,894

**LaCima Charter School
Statement of Functional Expenses
as of June 30**

		2020							2019	
		Program Services				Supporting Services				
No. of Positions		Regular Education	Special Education	Other Education	Total	Fundraising	Management and General	Total	Total	
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Personnel Services Costs										
Administrative Staff Personnel	13.00	616,090	-	-	616,090	-	683,978	683,978	1,300,068	1,452,015
Instructional Personnel	36.00	1,753,486	611,503	-	2,364,989	-	-	-	2,364,989	2,736,369
Non-Instructional Personnel	5.00	-	-	-	-	-	156,838	156,838	156,838	141,351
Total Salaries and Staff	54.00	2,369,576	611,503	-	2,981,079	-	840,816	840,816	3,821,895	4,329,735
Fringe Benefits & Payroll Taxes		555,071	143,243	-	698,314	-	196,961	196,961	895,275	1,012,339
Retirement		33,524	8,652	-	42,176	-	11,896	11,896	54,072	85,891
Management Company Fees		-	-	-	-	-	-	-	-	-
Legal Service		-	-	-	-	-	6,478	6,478	6,478	176
Accounting / Audit Services		-	-	-	-	-	22,392	22,392	22,392	23,783
Other Purchased / Professional / Consulting Services		136,029	35,104	-	171,133	-	48,268	48,268	219,401	260,053
Building and Land Rent / Lease		43,599	11,252	-	54,851	-	74,192	74,192	129,043	90,654
Repairs & Maintenance		-	-	-	-	-	-	-	-	-
Insurance		21,056	5,434	-	26,490	-	7,471	7,471	33,961	28,857
Utilities		-	-	-	-	-	-	-	-	-
Supplies / Materials		136,572	35,244	-	171,816	-	48,461	48,461	220,277	228,284
Equipment / Furnishings		15,747	4,063	-	19,810	-	5,588	5,588	25,398	11,401
Staff Development		78,905	20,363	-	99,268	-	27,998	27,998	127,266	153,665
Marketing / Recruitment		34,944	9,018	-	43,962	-	12,399	12,399	56,361	69,212
Technology		103,569	26,728	-	130,297	-	36,750	36,750	167,047	186,750
Food Service		-	-	-	-	-	-	-	-	-
Student Services		34,967	9,024	-	43,991	-	12,408	12,408	56,399	99,490
Office Expense		9,218	2,379	-	11,597	-	3,271	3,271	14,868	13,439
Depreciation		78,134	20,164	-	98,298	-	27,725	27,725	126,023	136,742
OTHER		10,151	2,620	-	12,771	-	3,602	3,602	16,373	25,678
Total Expenses		\$ 3,661,062	\$ 944,791	\$ -	\$ 4,605,853	\$ -	\$ 1,386,676	\$ 1,386,676	\$ 5,992,529	\$ 6,756,149

<u>Number of Students</u>	315
	2020-21 Budget
4100 State Grants	
4101 Per Pupil Allocations	5,075,280
4102 Per Pupil Allocations for Special Education	564,542
4103 NYSTL	33,000
4107 Misc. State Funding	
Total 4100 State Grants	5,672,822
4200 Federal Grants	
4201 IDEA for SPED	30,862
4203 E-Rate for Tech/Comm	47,098
4204 Title IA	155,000
4205 Title IIA	35,135
Total 4200 Federal Grants	268,095
4300 Contributions	
4301 Unrestricted Contributions	
4305 Fundraising Contributions	
Total 4300 Contributions	-
4400 Misc. Income	
4401 Interest Income	3,715
4404 Other Investment Income	23,000
Total 4400 Misc. Income	26,715
Total Revenue	5,967,632
5000 Compensation	
5100 Instructional Staff	
5101 Principal	153,000
5102 Assistant Principals	114,240
Math Coach	-
5120 Classroom Teachers (K-2)	
5121 Kindergarten	296,503
5122 First Grade	186,820
5123 Second Grade	250,175
Total 5120 Classroom Teachers (K-2)	733,499
5125 Classroom Teachers (3-5)	
5126 Third Grade	227,254
5127 Fourth Grade	217,455
5128 Fifth Grade	240,742
Total 5125 Classroom Teachers (3-5)	685,451
5142 Special Education Coordinator	94,860
5144 Counselor	147,410
5145 ELL Teacher	64,509
5151 Spanish Language Arts	73,581
ELA Interventionist	76,500

5160 SETTS	68,340
5161 Music	75,641
5162 Visual Arts	75,640
5163 Physical Ed.	75,641
5164 African Drumming	75,640
5165 Science Teacher	
5175 Behavior Technician	56,098
5176 Teachers in Residence	52,428
Total 5100 Instructional Staff	2,622,479
5200 Non-Instructional Staff	
5202 Business Manager	66,300
5206 Operations Associates & EA	127,500
5207 School Aide	148,832
5210 Administrative Assistant	50,000
5211 Chief Operating Officer	130,915
5212 Executive Director	158,100
5214 Operations Manager	91,800
5215 Data Analyst	40,700
Director of Operations	105,000
Total 5200 Non-Instructional Staff	919,147
5300 Incentives	-
5301 Merit/Performance Bonus	20,000
5306 Saturday Program Stipend	
5310 Grade Level Chair Stipend	18,000
5311 Afterschool Stipend	
5312 Attendance Bonus	70,000
5313 Recruitment Bonus	2,000
5314 Instruct Performance Pay	20,000
Total 5300 Incentives	130,000
Total 5000 Compensation	3,671,625
5400 Benefits	
5402 NY State Unemployment Insurance	20,000
5403 Social Security EmployER	227,641
5405 Medicare EmployER	53,239
5407 Worker's Compensation	33,065
5408 NY State Disability	
5409 Medical/Health Insurance	511,850
5410 Dental/Vision Insurance	42,000
5412 Short Term Disability	15,800
5413 Long Term Disability	3,300
5414 Life and AD&D	2,500
5415 TransitChek Fees	9,000
5418 Retirement 403(b) Match	50,000
5425 FSA	
Total 5400 Benefits	968,394
6100 Administrative	-

6101 Office Supplies	13,000
6102 Office Furniture	2,000
6103 Office Equipment	1,500
6104 Office Staff Computer Hardware- x	
6105 Copy Machine Lease	14,432
6106 Toner	7,500
6107 Copy Paper	7,000
6108 Printing and Copying	1,000
6109 Student Meals	-
6109-01 Student Lunches	-
6109-02 Student Snacks	10,000
Total 6109 Student Meals	
6110 Insurance - General	33,991
6112 Team Building/Staff Appreciation	18,000
6113 School Uniforms/Apparel	2,500
6115 Fingerprinting- x	700
6116 Family Engagement	12,000
6117 Students Recognition	6,930
6118 Postage and Delivery	2,500
6119 Office Software	5,000
6120 Student Middle School App Fees	4,000
Total 6100 Administrative	142,053
6200 Professional Services	-
6201 Accounting/Audit Services	22,000
6202 Payroll Services	10,500
6203 Financial Management Services	25,000
6204 Substitute Teacher Services	50,000
6206 Legal	7,000
6207 Temporary Staffing Services	8,000
6208 Compliance Consulting	18,000
6209 Curriculum Consulting	15,000
6210 Special Education Consulting	12,000
6211 Technology Consulting	3,000
6214 Consultant Travel	4,000
6214 HR Consultant	45,000
Total 6200 Professional Services	219,500
6300 Professional Development	
6301 Schoolwide Professional Development	
6301-01 Instructional Staff PD	36,500
6301-02 Non-Instructional Staff PD	6,000
6301-03 Leadership Professional Development	18,000
Total 6301 Schoolwide Professional Development	60,500
6304 Conference	
6306 PD Related Travel	3,000
6307 PD Materials / Memberships	3,000
6308 Tuition and Certification Reimbursement	15,000

6312 Board Operations and Development	10,000
Total 6300 Professional Development	91,500
6400 Marketing and Staff/Student Rec	-
6401 Staff Recruitment	20,000
6402 Student Recruitment	25,000
6403 Advertising	10,000
6404 Printing	735
6405 Travel	600
6406 Job Fairs/Conferences	1,650
6407 Signage/Marketing	399
Total 6400 Marketing and Staff/Student Rec	58,385
6500 Fundraising	-
6501 Mailing & Materials	
6502 Events	
Total 6500 Fundraising Expense	-
7100 Curriculum and Classroom	
7101 Math Curriculum (K-2)	
7102 Math Curriculum (3-5)	31,500
7103 Reading/Writing Curriculum (K-2)	
7104 Reading/Writing (3-5)	88,000
7105 Science Curriculum (K-2)	
7106 Science Curriculum (3-5)	
7108 SLA Curriculum (K-2)	
7109 SLA Curriculum (3-5)	16,000
7110 Textbooks & Other Educational Materials	11,000
7111 Classroom Furniture	5,500
7112 Instructional Equipment	8,000
7113 Student Transportation	12,941
7114 Classroom Supplies	26,775
7115 Classroom Computer Hardware & Software	15,000
7116 Athletic / Sports Program	8,000
7117 Arts / Music Supplies	4,000
7118 Classroom Carpeting / Flooring	4,000
7119 Classroom Libraries	2,907
7120 Standardized Test Materials / Assessment Expenses	43,890
7121 Student Field Lessons	15,000
7122 Music / Dance / Theater Program	3,652
7123 After School Monday - Thursday	750
7124 Saturday Academy	750
Total 7100 Curriculum and Classroom	297,665
8100 Facility	-
8101 Rent	65,000
8102 Janitorial Supplies	1,500
8103 Building Permits (Extended Use)	1,000
8104 Utilities/Maintenance/Repair	50,000
8105 Misc. Co-Location Expenses	

8106 Offsite Storage	1,046
Total 8100 Facility	118,546
8200 Technology	-
8201 Telephone & Telecommunications	2,760
8202 Internet Connectivity Expenses	42,240
8203 Network Maintenance/Tech Support Services	80,000
8204 Website Consultants/Expenses	2,500
8205 Technology Supplies	8,000
8206 Mobile Phone	37,000
Total 8200 Technology	172,500
8800 Miscellaneous Expenses	-
8801 Bank Service Charges	300
8802 Interest/Late Fees	2,500
8803 Membership Fees	
Total 8800 Miscellaneous Expenses	2,800
8900 Depreciation Expense	145,000
Operating Reserve	
Total Expenses	5,887,969
Operating Surplus/Deficit	79,663