

NEIGHBORHOOD CHARTER SCHOOLS

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2020

October 27, 2020

Finance Committee
Neighborhood Charter Schools

We have audited the financial statements of Neighborhood Charter Schools as of and for the year ended June 30, 2020, and have issued our report thereon dated October 27, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

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

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Neighborhood Charter Schools solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Neighborhood Charter Schools is included in Note A to the financial statements. During 2020 the Charter School adopted new guidance for revenue recognition (ASC 606 and ASU 2018-08) which is further described in Note A to the financial statements. In addition, the Charter School changed its statement of cash flows presentation by adopting FASB ASC 230. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocation of costs for the statement of functional expenses and the collectability of grants receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Neighborhood Charter Schools' financial statements relate to revenue and support recognition and lease commitments, which are referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * *

Should you desire further information concerning these matters, Michelle Cain or Kevin Kopp will be happy to meet with you at your convenience.

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

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

NEIGHBORHOOD CHARTER SCHOOLS

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Neighborhood Charter Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Charter Schools' 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 Neighborhood Charter Schools as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of Neighborhood Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood Charter Schools' internal control over financial reporting and compliance.

Emphasis of Matters

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

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 27, 2020

NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,273,492
Cash - capital reserve	1,500,000
Grants and other receivables	862,519
Due from related party	697,062
Prepaid expenses	169,308
TOTAL CURRENT ASSETS	<u>7,502,381</u>

OTHER ASSETS

Property and equipment, net	1,675,586
Facilities deposits	2,011,401
Cash in escrow	150,918
	<u>3,837,905</u>

TOTAL ASSETS \$ 11,340,286

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 598,415
Accrued payroll and benefits	1,626,917
Due to related party	124,512
Deferred revenue	191,651
TOTAL CURRENT LIABILITIES	<u>2,541,495</u>

OTHER LIABILITY

Deferred lease liability	<u>1,601,207</u>
TOTAL LIABILITIES	4,142,702

NET ASSETS

Without donor restrictions	5,697,584
Without donor restrictions - board designated	1,500,000
TOTAL NET ASSETS	<u>7,197,584</u>

TOTAL LIABILITIES AND NET ASSETS \$ 11,340,286

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

NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

Operating revenue and support:		
State and local per pupil operating revenue		\$ 22,043,819
Federal and state grants		1,436,039
Private grants		153,349
Contributions		17,017
Other income		<u>111,811</u>
	TOTAL OPERATING REVENUE AND SUPPORT	23,762,035
Expenses:		
Program services:		
Regular education		11,012,586
Special education		10,273,115
Supporting services:		
Management and general		2,785,863
Fundraising and special events		<u>12,865</u>
	TOTAL EXPENSES	<u>24,084,429</u>
	CHANGE IN NET ASSETS	(322,394)
Net assets at beginning of year		<u>7,519,978</u>
	NET ASSETS AT END OF YEAR	<u>\$ 7,197,584</u>

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

NEIGHBORHOOD CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	No. of positions	Program Services			Supporting Services			Total
		Regular education	Special education	Sub-total	Fundraising and special events	Management and general	Sub-total	
Personnel services costs:								
Administrative staff personnel	27	\$ 556,634	\$ 503,045	\$ 1,059,679	\$ 7,502	\$ 1,171,996	\$ 1,179,498	\$ 2,239,177
Instructional personnel	97	2,681,301	3,966,783	6,648,084	-	107,164	107,164	6,755,248
Non-instructional personnel	31	1,947,115	928,567	2,875,682	-	27,485	27,485	2,903,167
Total Salaries and wages	155	5,185,050	5,398,395	10,583,445	7,502	1,306,645	1,314,147	11,897,592
Fringe benefits & payroll taxes		1,859,351	1,395,800	3,255,151	1,507	226,861	228,368	3,483,519
Retirement		98,410	92,492	190,902	133	19,547	19,680	210,582
Legal service		-	-	-	-	53,343	53,343	53,343
Accounting/audit fees		-	-	-	-	220,069	220,069	220,069
Other purchased/professional/consulting services		19,078	18,974	38,052	22	266,947	266,969	305,021
Building and land rent/lease		2,022,544	1,971,086	3,993,630	2,520	456,073	458,593	4,452,223
Repairs and maintenance		100,553	111,721	212,274	81	33,304	33,385	245,659
Insurance		98,706	92,596	191,302	135	19,470	19,605	210,907
Utilities		40,240	51,905	92,145	8	18,900	18,908	111,053
Supplies/materials		377,366	170,972	548,338	-	-	-	548,338
Equipment/furnishings		45,020	44,149	89,169	55	10,364	10,419	99,588
Staff development		162,811	182,054	344,865	232	30,157	30,389	375,254
Marketing/recruitment		67,938	41,729	109,667	25	4,477	4,502	114,169
Technology		126,717	125,578	252,295	151	30,188	30,339	282,634
Food service		345,098	158,061	503,159	-	-	-	503,159
Office expense		200,983	197,006	397,989	248	46,199	46,447	444,436
Student services		74,075	39,752	113,827	2	3,104	3,106	116,933
Depreciation and amortization		186,966	179,308	366,274	242	39,913	40,155	406,429
Other		1,680	1,537	3,217	2	302	304	3,521
		<u>\$ 11,012,586</u>	<u>\$ 10,273,115</u>	<u>\$ 21,285,701</u>	<u>\$ 12,865</u>	<u>\$ 2,785,863</u>	<u>\$ 2,798,728</u>	<u>\$ 24,084,429</u>

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

NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ (322,394)
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	406,429
Changes in certain assets and liabilities affecting operations:	
Grants and other receivables	(135,121)
Due from/to related party	(536,434)
Prepaid expenses	64,933
Accounts payable and accrued expenses	24,399
Accrued payroll and benefits	603,333
Deferred revenue	(133,349)
Deferred lease liability	<u>1,601,207</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,573,003

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	(1,303,278)
Change in facilities deposits	<u>49,999</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(1,253,279)</u>

NET INCREASE IN
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

319,724

Cash, cash equivalents, and restricted cash at beginning of year	<u>5,604,686</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 5,924,410</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:	
Cash	\$ 4,273,492
Cash - capital reserve	1,500,000
Cash in escrow	<u>150,918</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 5,924,410</u>

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

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

The Charter School

During 2018, the name of the Charter School was officially changed from Neighborhood Charter School of Harlem to Neighborhood Charter Schools. The Charter School is a New York State, not-for-profit educational corporation that was incorporated on September 13, 2011 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. The Charter School operated one charter school until the Fall of 2019, Neighborhood Charter School: Harlem (“NCSH”). During 2017, the School determined it would open a second charter school in the Fall of 2019, Neighborhood Charter School: Bronx (“NCSB”).

NCSH was granted a provisional charter on September 13, 2011, 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. On March 13, 2017, the Board of Regents of the University of the State of New York granted NCSH a provisional charter valid for a term of five years through June 30, 2022 and renewable upon expiration.

NCSH opened its doors in the fall of 2012 in Harlem, New York with a rigorous academic program and a highly structured and supportive school culture. NCSH serves a wide range of students, including students with disabilities and students whose native language is not English, drawn mostly from central Harlem, the community school district in which it is located. It offers a specialized inclusion program for students with high-functioning autism, who constitute approximately 14% of the student body.

During 2017, the Charter School applied for a charter for NCSB which would be located in Bronx, New York. NCSB was granted a provisional charter on November 14, 2017, valid for a term of five years through June 30, 2023 and renewable upon expiration by the Board of Regents of the University of the State of New York.

The mission of NCSB is to provide children in the Bronx with new educational opportunities through a rigorous, comprehensive K-8 program that cultivates the intellectual, social and emotional development of each child. NCSB opened its doors in the Fall of 2019 in Bronx, NY.

Basis of accounting

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Classification of net assets

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

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

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

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the net assets without donor restrictions for specific purposes, projects or investments. At June 30, 2020, the Board had designated \$1,500,000 of net assets without donor restrictions to fund capital projects.

Net Assets With Donor Restrictions

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

Revenue recognition

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

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

State and local per pupil revenue

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

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

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

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students. Rental assistance was \$2,514,620 for the year ended June 30, 2020.

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

	<u>June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Grants and other receivables	\$ 237,296	\$ 38,517	\$ 164,513

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position and amounted to \$191,651 at June 30, 2020. The Charter School received cost-reimbursement grants of approximately \$9,500 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Contributions

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

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

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

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

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

Cash and cash equivalents

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

\$1,500,000 has been segregated on the statement of financial position at June 30, 2020, representing the board designated net assets for capital reserve.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of their charter agreement. The amount in escrow as of June 30, 2020 was \$150,918.

Grants and other receivables

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

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from two to five years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining lease term.

Deferred lease liability

The Charter School leases its facilities. The NCSH lease contains significant pre-determined fixed escalations of the base rent. In accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease liability. The amount of additional rent expense in excess of rent paid under the lease was \$1,601,207 for the year ended June 30, 2020.

Tax exempt status

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

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

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

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

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. The Charter School received transportation services, nursing services, and occupational and physical therapy services from the local district. The Charter School was unable to determine a value for these services.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$114,000 for the year ended June 30, 2020.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Use of estimates in the preparation of financial statements

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

Adoption of New Accounting Standards

Revenue from contracts with customers

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

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

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

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

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

Contributions received and contributions made

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

Statement of cash flows

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

New accounting pronouncement - leases

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 27, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

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

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

	<u>Amount</u>
Cash and cash equivalents	\$ 4,273,492
Grants and other receivables	<u>862,519</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,136,011</u>

The Charter School also has \$1,500,000 of cash which is board-designated as a capital reserve. Although the Charter School does not expect to spend from this board-designated cash, this amount could be made available if necessary.

NOTE C: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>Amount</u>
Undesignated	\$ 4,021,998
Designated by the Board for capital reserve	1,500,000
Invested in property and equipment	<u>1,675,586</u>
	<u>\$ 7,197,584</u>

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>Amount</u>
Furniture and fixtures	\$ 1,049,401
Computers and equipment	1,086,674
Leasehold improvements	<u>1,032,132</u>
	3,168,207
Less accumulated depreciation and amortization	<u>1,492,621</u>
	<u>\$ 1,675,586</u>

Total depreciation expense was \$406,429 for the year ended June 30, 2020.

NOTE E: SCHOOL FACILITIES

During 2014, the Charter School entered into a twenty-year lease for a new facility to be constructed which will commence the later of July 1, 2015 or the time of occupancy. The lease was amended in 2015, 2016 and 2019. \$1,001,400 of deposits relate to this lease, which are being used to help fund the cost of the new building. Due to delays, construction was not completed until 2019 and the Charter School obtained occupancy of the facility in July 2019. Effective July 16, 2019, the lease agreement was amended and restated to assign the lessee to Friends of NCSH, Inc. ("Friends"), a related party, among other terms. The arrangement for the facility which will be occupied by NCSH, now calls for a thirty-year lease, through June 30, 2050, with base monthly rent of \$131,345 and annual rent increases of 3% each year thereafter. As of the execution of the lease, \$1,000,000 had been paid to the landlord as a tenant construction contribution. Upon completion of the facility, \$514,126 of the tenant construction contribution is to be converted into a security deposit held by the landlord with the remaining \$485,874 of the tenant construction contribution to be repaid to the Charter School in twelve equal monthly installments. In May 2020, the Charter School agreed to receive a total of 10 monthly payments of \$50,000 each. At June 30, 2020, one payment of \$50,000 was received. The remaining balance is expected to be received during the year ending June 30, 2021. The lease is guaranteed by the Charter School. As part of the lease, the Charter School is required to maintain certain financial covenants. At June 30, 2020, the Charter school was in compliance with these covenants. The future minimum payments to be paid by "Friends" on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 1,623,422
2022	1,672,125
2023	1,722,286
2024	1,773,957
2025	1,827,176
Thereafter	<u>64,790,314</u>
	<u>\$ 73,409,280</u>

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

NOTE E: SCHOOL FACILITIES, Cont'd

A thirty-five year sublease was entered into effective July 16, 2019 through June 30, 2050 between the Charter School and Friends relative to this property and was amended June 8, 2020. The sublease calls for base monthly rent of \$162,581 with annual rent increases of 3% each year thereafter. The future minimum payments required under this sublease agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 2,257,609
2022	2,325,337
2023	2,395,097
2024	2,468,230
2025	2,542,847
Thereafter	<u>96,176,273</u>
	<u>\$ 108,165,393</u>

During 2018, the Charter School entered into a twenty-year lease for an additional facility to accommodate NCSB, commencing no later than July 31, 2019. For the period July 31, 2019 to July 31, 2022, the Charter School will lease 26,000 square feet, increasing to 39,000 square feet by July 31, 2023 and 58,000 square feet through July 31, 2039. The lease calls for rent at \$38 per square foot through July 31, 2023 at which point rent increases to \$42 per square foot with subsequent annual increases of 2% per year. The Charter School also has a buyout option for leasehold improvements no later than July 31, 2026. In connection with the lease, the Charter School obtained a \$1,000,000 irrevocable standby letter of credit with a bank to serve as a security deposit. The irrevocable standby letter of credit is included in deposits on the accompanying statement of financial position at June 30, 2020.

The future minimum payments for this agreement is as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 988,000
2022	988,000
2023	1,482,000
2024	2,436,000
2025	2,494,000
Thereafter	<u>40,765,300</u>
	<u>\$ 49,153,300</u>

Rent expense for the year ended June 30, 2020 was approximately \$4,452,000.

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

NOTE F: RELATED PARTY TRANSACTIONS

Friends of NCSH, Inc. (“Friends”), a not-for-profit organization under Section 501(c)(3) of the Code, was formed to provide funding and administrative assistance to promote the application for a charter school, to provide ongoing financial and volunteer support for such school and to engage in any and all activities reasonably related to such purpose. A board member of Friends is also a board member of the Charter School.

During the year ended June 30, 2020, NCSH paid certain facility related costs on behalf of Friends and NCSB received other advances from Friends for startup costs. At June 30, 2020, \$697,062 was due to the Charter School from Friends and \$124,512 is due from the Charter School to Friends and are included in the accompanying statement of financial position.

The facts exclude the Charter School from the provisions of accounting principles generally accepted in the United States of America which would otherwise require consolidation with Friends.

NOTE G: OPERATING LEASE

The Organization has entered into certain non-cancelable lease agreements for office equipment expiring at various dates through November 2022. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 38,000
2022	27,000
2023	<u>11,000</u>
	<u>\$ 76,000</u>

NOTE H: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the “Plan”) covering most employees. The Charter School matches employees’ contributions up to 3% of their annual salaries. The Charter School’s total contribution to the Plan for the year ended June 30, 2020 approximated \$211,000.

NOTE I: CONTINGENCY

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

NEIGHBORHOOD CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

NOTE J: CONCENTRATIONS

At June 30, 2020, grants and other receivables are comprised of the following:

	<u>Amount</u>
Federal Government	61%
New York State	28%

For the year ended June 30, 2020, approximately 93% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of corona virus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

NEIGHBORHOOD CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL INFORMATION

Board of Trustees
Neighborhood Charter Schools

We have audited the financial statements of Neighborhood Charter Schools as of and for the year ended June 30, 2020, and we have issued our report thereon dated October 27, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2020 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2020, as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 27, 2020

NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2020

<u>ASSETS</u>	<u>Neighborhood Charter School Harlem</u>	<u>Neighborhood Charter School Bronx</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 2,112,326	\$ 2,161,166	\$ -	\$ 4,273,492
Cash - capital reserve	1,500,000	-	-	1,500,000
Grants and other receivables	2,986,297	449,064	(2,572,842)	862,519
Due from related party	697,062	-	-	697,062
Prepaid expenses	75,241	94,067	-	169,308
TOTAL CURRENT ASSETS	<u>7,370,926</u>	<u>2,704,297</u>	<u>(2,572,842)</u>	<u>7,502,381</u>
<u>OTHER ASSETS</u>				
Property and equipment, net	1,336,975	338,611	-	1,675,586
Facilities deposits	2,011,401	-	-	2,011,401
Cash in escrow	75,581	75,337	-	150,918
	<u>3,423,957</u>	<u>413,948</u>	<u>-</u>	<u>3,837,905</u>
TOTAL ASSETS	<u>\$ 10,794,883</u>	<u>\$ 3,118,245</u>	<u>\$ (2,572,842)</u>	<u>\$ 11,340,286</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 374,519	\$ 2,796,738	\$ (2,572,842)	\$ 598,415
Accrued payroll and benefits	1,389,365	237,552	-	1,626,917
Due to related party	-	124,512	-	124,512
Deferred revenue	-	191,651	-	191,651
TOTAL CURRENT LIABILITIES	<u>1,763,884</u>	<u>3,350,453</u>	<u>(2,572,842)</u>	<u>2,541,495</u>
<u>OTHER LIABILITY</u>				
Deferred lease liability	<u>1,601,207</u>	<u>-</u>	<u>-</u>	<u>1,601,207</u>
TOTAL LIABILITIES	<u>3,365,091</u>	<u>3,350,453</u>	<u>(2,572,842)</u>	<u>4,142,702</u>
<u>NET ASSETS</u>				
Without donor restrictions	5,929,792	(232,208)	-	5,697,584
Without donor restrictions - board designated	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
TOTAL NET ASSETS	<u>7,429,792</u>	<u>(232,208)</u>	<u>-</u>	<u>7,197,584</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,794,883</u>	<u>\$ 3,118,245</u>	<u>\$ (2,572,842)</u>	<u>\$ 11,340,286</u>

NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2020

	<u>Neighborhood Charter School Harlem</u>	<u>Neighborhood Charter School Bronx</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenue and support:				
State and local per pupil operating revenue	\$ 18,663,300	\$ 3,380,519	\$ -	\$ 22,043,819
Federal and state grants	892,576	543,463	-	1,436,039
Private grants	-	153,349	-	153,349
Contributions	17,017	-	-	17,017
Other income	<u>109,374</u>	<u>2,437</u>	<u>-</u>	<u>111,811</u>
TOTAL OPERATING REVENUE AND SUPPORT	19,682,267	4,079,768	-	23,762,035
Expenses:				
Program services:				
Regular education	9,371,869	1,640,717	-	11,012,586
Special education	8,313,465	1,959,650	-	10,273,115
Supporting services:				
Management and general	2,043,018	742,845	-	2,785,863
Fundraising and special events	<u>12,528</u>	<u>337</u>	<u>-</u>	<u>12,865</u>
TOTAL EXPENSES	<u>19,740,880</u>	<u>4,343,549</u>	<u>-</u>	<u>24,084,429</u>
CHANGE IN NET ASSETS	(58,613)	(263,781)	-	(322,394)
Net assets at beginning of year	<u>7,488,405</u>	<u>31,573</u>	<u>-</u>	<u>7,519,978</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 7,429,792</u>	<u>\$ (232,208)</u>	<u>\$ -</u>	<u>\$ 7,197,584</u>

NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – HARLEM

YEAR ENDED JUNE 30, 2020

	No. of positions	Program Services			Supporting Services			Total
		Regular education	Special education	Sub-total	Fundraising and special events	Management and general	Sub-total	
Personnel services costs:								
Administrative staff personnel	21	456,754	\$ 403,165	\$ 859,919	\$ 7,308	\$ 914,573	\$ 921,881	\$ 1,781,800
Instructional personnel	78	2,333,130	3,184,581	5,517,711	-	-	-	5,517,711
Non-instructional personnel	29	1,725,921	802,979	2,528,900	-	-	-	2,528,900
Total Salaries and wages	128	4,515,805	4,390,725	8,906,530	7,308	914,573	921,881	9,828,411
Fringe benefits & payroll taxes		1,601,812	1,211,241	2,813,053	1,487	186,130	187,617	3,000,670
Retirement		91,997	84,242	176,239	132	16,552	16,684	192,923
Legal service		-	-	-	-	53,343	53,343	53,343
Accounting/audit fees		-	-	-	-	196,346	196,346	196,346
Other purchased/professional/consulting services		15,023	13,757	28,780	22	228,263	228,285	257,065
Building and land rent/lease		1,701,474	1,558,057	3,259,531	2,446	306,135	308,581	3,568,112
Repairs and maintenance		47,564	43,555	91,119	68	8,558	8,626	99,745
Insurance		92,748	84,931	177,679	134	16,688	16,822	194,501
Utilities		(377)	(345)	(722)	(1)	(68)	(69)	(791)
Supplies/materials		263,659	122,666	386,325	-	-	-	386,325
Equipment/furnishings		37,136	34,006	71,142	53	6,682	6,735	77,877
Staff development		159,802	174,433	334,235	231	28,752	28,983	363,218
Marketing/recruitment		64,812	37,708	102,520	24	3,017	3,041	105,561
Technology		100,977	92,466	193,443	145	18,168	18,313	211,756
Food service		283,348	131,827	415,175	-	-	-	415,175
Office expense		166,016	152,023	318,039	240	29,870	30,110	348,149
Student services		63,282	29,442	92,724	-	-	-	92,724
Depreciation and amortization		165,111	151,194	316,305	237	29,707	29,944	346,249
Other		1,680	1,537	3,217	2	302	304	3,521
		<u>\$ 9,371,869</u>	<u>\$ 8,313,465</u>	<u>\$ 17,685,334</u>	<u>\$ 12,528</u>	<u>\$ 2,043,018</u>	<u>\$ 2,055,546</u>	<u>\$ 19,740,880</u>

NEIGHBORHOOD CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX

YEAR ENDED JUNE 30, 2020

	No. of positions	Program Services			Supporting Services			Total
		Regular education	Special education	Sub-total	Fundraising and special events	Management and general	Sub-total	
Personnel services costs:								
Administrative staff personnel	6	\$ 99,880	\$ 99,880	\$ 199,760	\$ 194	\$ 257,423	\$ 257,617	\$ 457,377
Instructional personnel	19	348,171	782,202	1,130,373	-	107,164	107,164	1,237,537
Non-instructional personnel	2	221,194	125,588	346,782	-	27,485	27,485	374,267
Total Salaries and wages	27	669,245	1,007,670	1,676,915	194	392,072	392,266	2,069,181
Fringe benefits & payroll taxes		257,539	184,559	442,098	20	40,731	40,751	482,849
Retirement		6,413	8,250	14,663	1	2,995	2,996	17,659
Legal service		-	-	-	-	-	-	-
Accounting/audit fees		-	-	-	-	23,723	23,723	23,723
Other purchased/professional/consulting services		4,055	5,217	9,272	-	38,684	38,684	47,956
Building and land rent/lease		321,070	413,029	734,099	74	149,938	150,012	884,111
Repairs and maintenance		52,989	68,166	121,155	13	24,746	24,759	145,914
Insurance		5,958	7,665	13,623	1	2,782	2,783	16,406
Utilities		40,617	52,250	92,867	9	18,968	18,977	111,844
Supplies/materials		113,707	48,306	162,013	-	-	-	162,013
Equipment/furnishings		7,884	10,143	18,027	2	3,682	3,684	21,711
Staff development		3,009	7,621	10,630	1	1,405	1,406	12,036
Marketing/recruitment		3,126	4,021	7,147	1	1,460	1,461	8,608
Technology		25,740	33,112	58,852	6	12,020	12,026	70,878
Food service		61,750	26,234	87,984	-	-	-	87,984
Office expense		34,967	44,983	79,950	8	16,329	16,337	96,287
Student services		10,793	10,310	21,103	2	3,104	3,106	24,209
Depreciation and amortization		21,855	28,114	49,969	5	10,206	10,211	60,180
		<u>\$ 1,640,717</u>	<u>\$ 1,959,650</u>	<u>\$ 3,600,367</u>	<u>\$ 337</u>	<u>\$ 742,845</u>	<u>\$ 743,182</u>	<u>\$ 4,343,549</u>



Annual Financial Statement Audit Report

for Board of Regents Authorized Charter Schools

School Name:	Neighborhood Charter Schools
Date (Report is due Nov. 1):	November 1, 2020
Primary District of Location (If NYC select NYC DOE):	New York City Department of Education
If located in NYC DOE select CSD:	NYCSD #5
School Fiscal Contact Name:	Michelle Rumph
School Fiscal Contact Email:	[REDACTED]
School Fiscal Contact Phone:	[REDACTED]
School Audit Firm Name:	Mengel, Metzger, Barr & Co. LLP
School Audit Contact Name:	Michelle Cain
School Audit Contact Email:	[REDACTED]
School Audit Contact Phone:	[REDACTED]
Audit Period:	2019-20
Prior Year:	2018-19

The following items are required to be included:

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

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

Item	If not included, state the reason(s) below (if not applicable fill in N/A):
Management Letter	N/A
Management Letter Response	N/A
Form 990	Extension filed
Federal Single Audit (A-133)	Included
Corrective Action Plan	N/A

**Neighborhood Charter Schools
Statement of Financial Position
as of June 30**

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 4,273,492	\$ 4,160,021
Grants and contracts receivable	862,519	763,514
Accounts receivables	-	-
Prepaid Expenses	169,308	234,241
Contributions and other receivables	697,062	-
Other current assets	1,500,000	1,500,000
TOTAL CURRENT ASSETS	7,502,381	6,657,776
<u>NON-CURRENT ASSETS</u>		
Property, Building and Equipment, net	\$ 1,675,586	\$ 778,737
Restricted Cash	-	-
Security Deposits	2,011,401	2,061,400
Other Non-Current Assets	150,918	150,508
TOTAL NON-CURRENT ASSETS	3,837,905	2,990,645
TOTAL ASSETS	<u>11,340,286</u>	<u>9,648,421</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 598,415	\$ 696,217
Accrued payroll, payroll taxes and benefits	1,626,917	1,023,584
Current Portion of Loan Payable	-	-
Due to Related Parties	124,512	-
Refundable Advances	-	-
Deferred Revenue	191,651	325,000
Other Current Liabilities	-	-
TOTAL CURRENT LIABILITIES	2,541,495	2,044,801
<u>LONG-TERM LIABILITIES</u>		
Loan Payable; Due in More than One Year	\$ -	\$ -
Deferred Rent	-	-
Due to Related Party	-	-
Other Long-Term Liabilities	1,601,207	-
TOTAL LONG-TERM LIABILITIES	1,601,207	-
TOTAL LIABILITIES	<u>4,142,702</u>	<u>2,044,801</u>
<u>NET ASSETS</u>		
Unrestricted	\$ 7,197,584	\$ 7,603,620
Temporarily restricted	-	-
Permanently restricted	-	-
TOTAL NET ASSETS	<u>7,197,584</u>	<u>7,603,620</u>
TOTAL LIABILITIES AND NET ASSETS	<u>11,340,286</u>	<u>9,648,421</u>

**Neighborhood Charter Schools
Statement of Activities
as of June 30**

	2020			2019
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE				
State and Local Per Pupil Revenue - Reg. Ed	\$ 12,764,386	\$ -	\$ 12,764,386	\$ 8,956,727
State and Local Per Pupil Revenue - SPED	6,764,814	-	6,764,814	5,051,170
State and Local Per Pupil Facilities Revenue	2,514,620	-	2,514,620	540,244
Federal Grants	920,989	-	920,989	925,993
State and City Grants	47,015	-	47,015	42,745
Other Operating Income	-	-	-	-
Food Service/Child Nutrition Program	468,035	-	468,035	569,761
TOTAL OPERATING REVENUE	23,479,859	-	23,479,859	16,086,640
EXPENSES				
Program Services				
Regular Education	\$ 11,012,586	\$ -	\$ 11,012,586	\$ 7,513,602
Special Education	10,273,115	-	10,273,115	6,131,404
Other Programs	-	-	-	-
Total Program Services	21,285,701	-	21,285,701	13,645,006
Management and general	2,785,863	-	2,785,863	1,827,677
Fundraising	12,865	-	12,865	58,551
TOTAL EXPENSES	24,084,429	-	24,084,429	15,531,234
SURPLUS / (DEFICIT) FROM OPERATIONS	(604,570)	-	(604,570)	555,406
SUPPORT AND OTHER REVENUE				
Interest and Other Income	\$ 40,741	\$ -	\$ 40,741	\$ 40,165
Contributions and Grants	170,365	-	170,365	87,452
Fundraising Support	-	-	-	-
Investments	-	-	-	-
Donated Services	-	-	-	-
Other Support and Revenue	71,070	-	71,070	77,460
TOTAL SUPPORT AND OTHER REVENUE	282,176	-	282,176	205,077
Net Assets Released from Restrictions / Loss on Disposal of Assets	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET ASSETS	(322,394)	-	(322,394)	760,483
NET ASSETS - BEGINNING OF YEAR	\$ 7,519,978	\$ -	\$ 7,519,978	\$ 6,843,137
PRIOR YEAR/PERIOD ADJUSTMENTS	-	-	-	-
NET ASSETS - END OF YEAR	\$ 7,197,584	\$ -	\$ 7,197,584	\$ 7,603,620

**Neighborhood Charter Schools
Statement of Cash Flows**

as of June 30

	2020	2019
CASH FLOWS - OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (322,394)	\$ 760,483
Revenues from School Districts	-	-
Accounts Receivable	-	-
Due from School Districts	-	-
Depreciation	406,429	250,079
Grants Receivable	(135,121)	(225,414)
Due from NYS	-	-
Grant revenues	-	-
Prepaid Expenses	64,933	46,013
Accounts Payable	24,399	201,899
Accrued Expenses	-	35,878
Accrued Liabilities	-	-
Contributions and fund-raising activities	-	-
Miscellaneous sources	1,601,207	-
Deferred Revenue	(133,349)	314,583
Interest payments	-	-
Other	603,333	159,124
Other	(536,434)	33,664
NET CASH PROVIDED FROM OPERATING ACTIVITIES	\$ 1,573,003	\$ 1,576,309
CASH FLOWS - INVESTING ACTIVITIES		
Purchase of equipment	(1,303,278)	(780,266)
Other	49,999	(75,358)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	\$ (1,253,279)	\$ (855,624)
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	\$ 319,724	\$ 720,685
Cash at beginning of year	5,604,686	3,439,336
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,924,410	\$ 4,160,021

**Neighborhood Charter Schools
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	27.00	556,634	503,045	-	1,059,679	7,502	1,171,996	1,179,498	2,239,177	1,225,580
Instructional Personnel	97.00	2,681,301	3,966,783	-	6,648,084	-	107,164	107,164	6,755,248	6,895,230
Non-Instructional Personnel	31.00	1,947,115	928,567	-	2,875,682	-	27,485	27,485	2,903,167	186,500
Total Salaries and Staff	155.00	5,185,050	5,398,395	-	10,583,445	7,502	1,306,645	1,314,147	11,897,592	8,307,310
Fringe Benefits & Payroll Taxes		1,859,351	1,395,800	-	3,255,151	1,507	226,861	228,368	3,483,519	2,540,177
Retirement		98,410	92,492	-	190,902	133	19,547	19,680	210,582	173,030
Management Company Fees		-	-	-	-	-	-	-	-	-
Legal Service		-	-	-	-	-	53,343	53,343	53,343	3,794
Accounting / Audit Services		-	-	-	-	-	220,069	220,069	220,069	192,849
Other Purchased / Professional / Consulting Services		19,078	18,974	-	38,052	22	266,947	266,969	305,021	190,206
Building and Land Rent / Lease		2,022,544	1,971,086	-	3,993,630	2,520	456,073	458,593	4,452,223	836,508
Repairs & Maintenance		100,553	111,721	-	212,274	81	33,304	33,385	245,659	450,201
Insurance		98,706	92,596	-	191,302	135	19,470	19,605	210,907	33,592
Utilities		40,240	51,905	-	92,145	8	18,900	18,908	111,053	162,709
Supplies / Materials		377,366	170,972	-	548,338	-	-	-	548,338	321,979
Equipment / Furnishings		45,020	44,149	-	89,169	55	10,364	10,419	99,588	81,966
Staff Development		162,811	182,054	-	344,865	232	30,157	30,389	375,254	395,869
Marketing / Recruitment		67,938	41,729	-	109,667	25	4,477	4,502	114,169	317,407
Technology		126,717	125,578	-	252,295	151	30,188	30,339	282,634	185,595
Food Service		345,098	158,061	-	503,159	-	-	-	503,159	576,857
Student Services		200,982	197,006	-	397,988	248	46,199	46,447	444,435	117,086
Office Expense		74,075	39,752	-	113,827	2	3,104	3,106	116,933	357,371
Depreciation		186,966	179,308	-	366,274	242	39,913	40,155	406,429	250,079
OTHER		1,680	1,537	-	3,217	2	302	304	3,521	36,649
Total Expenses		\$ 11,012,585	\$ 10,273,115	\$ -	\$ 21,285,700	\$ 12,865	\$ 2,785,863	\$ 2,798,728	\$ 24,084,428	\$ 15,531,234

NEIGHBORHOOD CHARTER SCHOOLS

NEW YORK, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND THE UNIFORM
GUIDANCE**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020

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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance	5
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Neighborhood Charter Schools

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 Neighborhood Charter Schools, which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control over Financial Reporting

Management of Neighborhood Charter Schools is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Neighborhood Charter Schools' 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 Neighborhood Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Charter Schools' 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 Neighborhood Charter Schools' 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 27, 2020

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Neighborhood Charter Schools

Report on Compliance for Each Major Federal Program

We have audited Neighborhood Charter Schools’ compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Neighborhood Charter Schools’ major federal program for the year ended June 30, 2020. Neighborhood Charter Schools’ major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Neighborhood Charter Schools’ major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighborhood Charter Schools’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Neighborhood Charter Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Neighborhood Charter Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Neighborhood Charter Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Neighborhood Charter Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Charter Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of the Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance

We have audited the financial statements of Neighborhood Charter Schools as of and for the year ended June 30, 2020, and have issued our report thereon dated October 27, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 27, 2020

NEIGHBORHOOD CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 267,572
Title IIA - Supporting Effective Instruction State Grants	84.367	0147	31,105
Title IV - Student Support and Academic Enrichment Program	84.424	0204	16,773
Charter Schools Program - Planning and Implementation	84.282A	C403300	<u>322,370</u>
TOTAL DEPARTMENT OF EDUCATION			637,820
U.S. Department of Agriculture:			
<u>Passed through NYS Department of Education</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	1000004543	111,445
National School Lunch Program	10.555	1000004543	<u>346,823</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>458,268</u>
TOTAL ALL PROGRAMS			<u>\$ 1,096,088</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Neighborhood Charter Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Neighborhood Charter Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NEIGHBORHOOD CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness (es) identified?	_____	yes	<u> x </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	_____	yes	<u> x </u> no

Federal Awards

Internal control over major programs:			
• Material weakness (es) identified?	_____	yes	<u> x </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	<u> x </u> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_____	yes	<u> x </u> no

Identification of major program:

CFDA Number:

10.553
10.555

Name of Federal Program or Cluster:

*Child Nutrition Cluster
School Breakfast Program
National School Lunch Program*

Dollar threshold used to distinguish between type A and type B programs:

 \$750,000

Auditee qualified as low-risk auditee?	_____	yes	<u> x </u> no
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NEIGHBORHOOD CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2020

FINDING –FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.

New York State Education Department

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

2020-21 Budget & Cash Flow Template

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

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

Neighborhood Charter Schools - Harlem

PROJECTED BUDGET FOR 2020-2021

July 1, 2020 to June 30, 2021

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

	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
Total Revenue	12,485,658	6,684,779	-	1,349	206,377	19,378,163
Total Expenses	12,626,366	5,925,875	-	9,297	2,015,133	20,576,671
Net Income	(140,708)	758,904	-	(7,948)	(1,808,755)	(1,198,507)
Actual Student Enrollment	645	91	-	-	-	-
Total Paid Student Enrollment	645	91	-	-	-	736

Assumptions

DESCRIPTION OF ASSUMPTIONS - Please note assumptions when applicable

PROGRAM SERVICES

SUPPORT SERVICES

REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
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REVENUE

REVENUES FROM STATE SOURCES

Per Pupil Revenue	CY Per Pupil Rate	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL	DESCRIPTION OF ASSUMPTIONS - Please note assumptions when applicable
District of Location	\$16,123.00	10,399,335	-	-	-	-	10,399,335	Based on 645 student enrollment for Grades K-8
School District 2 (Enter Name)		-	-	-	-	-	-	
School District 3 (Enter Name)		-	-	-	-	-	-	
School District 4 (Enter Name)		-	-	-	-	-	-	
School District 5 (Enter Name)		-	-	-	-	-	-	
		10,399,335	-	-	-	-	10,399,335	
Special Education Revenue		-	1,716,141	-	-	-	1,716,141	
Grants		-	-	-	-	-	-	
Stimulus		-	-	-	-	-	-	
Other		-	4,005,000	-	-	-	4,005,000	Total number of students receiving ASD services (89 students at \$45,000/student)
Other State Revenue		1,204,372	620,891	-	1,290	161,413	1,987,966	Facilities Funding
TOTAL REVENUE FROM STATE SOURCES		11,603,707	6,342,032	-	1,290	161,413	18,108,442	

REVENUE FROM FEDERAL FUNDING

IDEA Special Needs	-	178,600	-	-	-	-	178,600	
Title I	192,930	31,691	-	-	-	-	224,621	
Title Funding - Other	28,304	4,649	-	-	-	-	32,953	Title II, Title IV
School Food Service (Free Lunch)	501,137	82,317	-	-	-	-	583,454	
Grants		-	-	-	-	-	-	
Charter School Program (CSP) Planning & Implementation	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	
Other Federal Revenue	58,406	9,594	-	-	-	-	68,000	Afterschool
TOTAL REVENUE FROM FEDERAL SOURCES		780,777	306,850	-	-	-	1,087,628	

LOCAL and OTHER REVENUE

Contributions and Donations, Fundraising	-	-	-	-	-	-	-	
Erate Reimbursement	54,638	28,252	-	59	7,355	-	90,304	
Interest Income, Earnings on Investments,	-	-	-	-	37,609	-	37,609	
NYC-DYCD (Department of Youth and Community Developmt.)	-	-	-	-	-	-	-	
Food Service (Income from meals)	-	-	-	-	-	-	-	
Text Book	46,536	7,644	-	-	-	-	54,180	NYSTL funds
Other Local Revenue	-	-	-	-	-	-	-	
TOTAL REVENUE FROM LOCAL and OTHER SOURCES		101,174	35,896	-	59	44,964	182,094	

TOTAL REVENUE

REGULAR EDUCATION	12,485,658	6,684,779	-	1,349	206,377	19,378,163
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List exact titles and staff FTE's (Full time equivalent)

EXPENSES

ADMINISTRATIVE STAFF PERSONNEL COSTS

	No. of Positions	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL	DESCRIPTION OF ASSUMPTIONS - Please note assumptions when applicable
Executive Management	3.00	116,074	116,074	-	5,804	342,418	580,370	Executive Director, Chief of Schools, COO
Instructional Management	5.00	271,000	271,000	-	-	135,500	677,500	Principal, Assistant Principals
Deans, Directors & Coordinators	20.00	1,590,032	274,867	-	-	-	1,864,899	
CFO / Director of Finance	1.00	-	-	-	-	83,333	83,333	Director of Finance
Operation / Business Manager	-	-	-	-	-	462,250	462,250	Director of Operations (2), Operations Managers (3)
Administrative Staff	7.00	-	-	-	-	-	-	
TOTAL ADMINISTRATIVE STAFF	36	1,977,106	661,941	-	5,804	1,023,501	3,668,352	

INSTRUCTIONAL PERSONNEL COSTS

Teachers - Regular	30.00	2,289,451	-	-	-	-	2,289,451	
Teachers - SPED	30.00	-	2,301,617	-	-	-	2,301,617	
Substitute Teachers	-	-	-	-	-	-	-	
Teaching Assistants	4.00	214,840	35,290	-	-	-	250,130	
Specialty Teachers	14.00	885,584	145,466	-	-	-	1,031,050	



SIGNATURE BANK
 565 Fifth Avenue, 12th Floor
 New York, NY 10017

Statement Period
 From June 01, 2020
 To June 30, 2020
 Page 1 of 2

PRIVATE CLIENT GROUP 266
 50 WEST 57TH STREET
 NEW YORK, NY 10019

NEIGHBORHOOD CHARTER SCHOOL 8-266
 ESCROW
 421 WEST 145TH STREET
 NEW YORK NY 10031

See Back for Important Information

Primary Account: [REDACTED] 0

EFFECTIVE JULY 1, 2020, SIGNATURE BANK'S FUNDS AVAILABILITY DISCLOSURE WILL BE REVISED AS FOLLOWS:
 THE AMOUNT AVAILABLE FOR WITHDRAWAL FROM CHECK DEPOSITS NOT SUBJECT TO NEXT DAY AVAILABILITY WILL INCREASE FROM 200 DOLLARS TO 225 DOLLARS ON THE FIRST BUSINESS DAY AFTER THE DAY OF DEPOSIT AND THE AMOUNT AVAILABLE FOR CASH WITHDRAWAL ON THE SECOND BUSINESS DAY WILL INCREASE FROM 400 DOLLARS TO 450 DOLLARS.

ON OR BEFORE JULY 1, 2020, THE REVISED DISCLOSURE WILL BE AVAILABLE AS A PDF FILE ON THE "AGREEMENTS AND DISCLOSURES" PAGE UNDER 'ABOUT US' AS THE "ADDENDUM TO THE BUSINESS ACCOUNT AGREEMENTS AND DISCLOSURES EFFECTIVE JULY 1, 2020" AT WWW.SIGNATURENY.COM OR BY CONTACTING YOUR PRIVATE CLIENT GROUP.

Signature Relationship Summary		Opening Bal.	Closing Bal.
BANK DEPOSIT ACCOUNTS			
[REDACTED]	MONOGRAM INSURED MMA	75,568.44	75,580.86
RELATIONSHIP	TOTAL		75,580.86



SIGNATURE BANK

Statement Period
From June 01, 2020
To June 30, 2020
Page 2 of 2

PRIVATE CLIENT GROUP 266
50 WEST 57TH STREET
NEW YORK, NY 10019

NEIGHBORHOOD CHARTER SCHOOL 8-266
ESCROW
421 WEST 145TH STREET
NEW YORK NY 10031

See Back for Important Information

Primary Account: [REDACTED] 0

MONOGRAM INSURED MMA [REDACTED]

Summary

Previous Balance as of June 01, 2020 75,568.44
1 Credits 12.42
Ending Balance as of June 30, 2020 75,580.86

Deposits and Other Credits

Jun 30 Interest Paid 12.42

Daily Balances

May 31 75,568.44 Jun 30 75,580.86

Interest Summary
* Year-To-Date Interest 91.27 *
* Interest Paid This Period 12.42 Annual Percentage Yield Earned 0.20 % *
* Avg. Balance this Period 75,568.44 Days in Period 30 *
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