



SUMMIT ACADEMY CHARTER SCHOOL

27 Huntington Street • Brooklyn, New York 11231 • Phone (718) 875-1403 • FAX (718) 875-1891

Latoya Massey
Principal

Natasha A. Campbell
Founder
Director of Community Schools

Mengel, Metzger, Barr & Co. LLP
Certified Public Accountants
100 Chestnut Street, Suite 1200
Rochester, New York 14604

This representation letter is provided in connection with your audits of the financial statements of Summit Academy Charter School, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this representation letter:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 15, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.



SUMMIT ACADEMY CHARTER SCHOOL

27 Huntington Street • Brooklyn, New York 11231 • Phone (718) 875-1403 • FAX (718) 875-1891

Latoya Massey
Principal

Natasha A. Campbell
Founder
Director of Community Schools

- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- Disclosures included in the financial statements regarding the relevant significant business, financial, and reporting impacts of the COVID-19 outbreak accurately reflect management's full consideration of such impacts.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statements all assets and liabilities under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- We have reviewed the Organization's draft financial statements prepared by you based upon financial information we provided to you. We have reviewed all supporting schedules and accept full responsibility for the Organization's financial statements prepared in accordance with U.S. GAAP.
- We have considered the accounting and reporting requirements of FASB ASC 740-10. We believe there are no material liabilities (or reduction in amounts refundable) required for unrecognized tax benefits related to our tax positions, as defined and described in FASB ASC 740-10-20.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.



SUMMIT ACADEMY CHARTER SCHOOL

27 Huntington Street • Brooklyn, New York 11231 • Phone (718) 875-1403 • FAX (718) 875-1891

Latoya Massey
Principal

Natasha A. Campbell
Founder
Director of Community Schools

- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets no has any asset been pledged as collateral.

Very truly yours,

SUMMIT ACADEMY CHARTER SCHOOL

Dr. Shelley Jallow, Chair of the Board of Trustees

Latoya Massey, Principal

Samease Handshaw, Director of Finance and Operations



Annual Financial Statement Audit Report

for NYCDoe Authorized Charter Schools

School Name:	Summit Academy Charter School
Date (Report is due Nov. 1):	November 1, 2020
School Fiscal Contact Name:	Samease Handshaw
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:

- The independent auditor’s report on financial statements and notes.
- Excel template file containing the Financial Position, Statement of Activities, Cash Flow and Functional Expenses worksheets.
- Reports on internal controls over financial reporting and on compliance.
- Management Letter (if your auditor does not provide one by default, please request one)

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 \$500,000; 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 Response	Attached
Form 990	An extension has been filed
Federal Single Audit (A-133) ¹	N/A
Corrective Action Plan	Attached



SUMMIT ACADEMY CHARTER SCHOOL

27 Huntington Street • Brooklyn, New York 11231 • Phone (718) 875-1403 • FAX (718) 875-1891

Latoya Massey
Principal

Natasha A. Campbell
Founder
Director of Community Schools

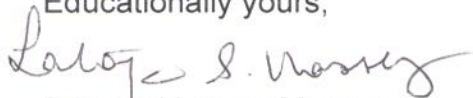
October 29, 2020

Summit Academy Charter School acknowledges the findings of MMB in the 2020 Independent Audit. The school recognizes that enrollment for the 2019 - 2020 school year did not meet the standard of 85% of the target enrollment as specified in the charter agreement. The facts are indisputable. However, the school wishes to ensure that the audit acknowledges the challenges that led to a decreased enrollment for the school year in question.

In May of 2019, the Department of Education determined that the school would undergo a mandatory restructuring for Summit to receive a renewal, including partnering with a turnaround team. The community hearings and discussions were public and heavily reported by local news outlets. Although the determination was not school closure, several outlets reported a possibility of closing Summit Academy. Naturally, this kind of press had an impact on recruitment for the 2019 - 2020 school year. Additionally, the restructuring led to several popular and critical staff members' departure, which also lessened the community's confidence in the school to maintain its integrity.

Given all of the challenges that Summit faced during the end of the 2018 - 2019 school year, we anticipated a slight decrease in our enrollment. Much of the work we did around recruitment ensured families that we still exist and keeping them abreast of the key personnel that would remain to maintain some semblance of continuity. Our efforts extended through December, even as we were beginning recruitment for the 2020 - 2021 school year. In March, an unanticipated pandemic swept through the country and caused new recruitment challenges for the current school year. We are actively engaged in recruitment activities to remedy the decrease in enrollment.

Educationally yours,


Principal Latoya Massey

SUMMIT ACADEMY CHARTER SCHOOL

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020

(With Comparative Totals for 2019)

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	10
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Schedule of Findings and Responses	22

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Summit Academy Charter School

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Summit Academy Charter School 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.

Report on Summarized Comparative Information

We have previously audited Summit Academy Charter School's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of Summit Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Summit Academy Charter School's internal control over financial reporting and compliance.

Emphasis of Matter with Respect to Change of Accounting Methods.

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

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 23, 2020

SUMMIT ACADEMY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 2,344,222	\$ 1,399,102
Grants and other receivables	131,292	135,927
Prepaid expenses	<u>68,455</u>	<u>11,632</u>
TOTAL CURRENT ASSETS	2,543,969	1,546,661
<u>PROPERTY AND EQUIPMENT, net</u>	109,562	79,832
<u>CASH IN ESCROW</u>	<u>75,156</u>	<u>75,148</u>
TOTAL ASSETS	<u>\$ 2,728,687</u>	<u>\$ 1,701,641</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and other current liabilities	\$ 134,500	\$ 283,080
Accrued payroll	228,844	261,420
Note payable, current portion	<u>244,820</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	608,164	544,500
<u>NOTE PAYABLE, net of current portion</u>	<u>500,855</u>	<u>-</u>
TOTAL LIABILITIES	1,109,019	544,500
<u>NET ASSETS - without donor restrictions</u>	<u>1,619,668</u>	<u>1,157,141</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,728,687</u>	<u>\$ 1,701,641</u>

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

SUMMIT ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 5,324,405	\$ 5,734,406
Government grants	224,342	227,646
Contributions	8,220	27,459
Other income	<u>8</u>	<u>7</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	5,556,975	5,989,518
Expenses:		
Program services:		
Regular education	2,832,262	3,168,806
Special education	1,746,194	1,523,515
Management and general	504,982	677,853
Fundraising and special events	<u>11,010</u>	<u>22,618</u>
TOTAL OPERATING EXPENSES	<u>5,094,448</u>	<u>5,392,792</u>
CHANGE IN NET ASSETS	462,527	596,726
Net assets at beginning of year	<u>1,157,141</u>	<u>560,415</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,619,668</u>	<u>\$ 1,157,141</u>

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

SUMMIT ACADEMY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

(With Comparative Totals for 2019)

	Year Ended June 30,						2019	
	2020			2019				
	Program Services			Supporting Services				
Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total	
Salaries	\$ 1,701,038	\$ 1,221,068	\$ 2,922,106	\$ 276,449	\$ -	\$ 276,449	\$ 3,198,555	\$ 3,570,454
Payroll taxes and employee benefits	373,729	268,275	642,004	60,737	-	60,737	702,741	819,023
Professional fees	308,948	130,776	439,724	126,639	665	127,304	567,028	289,752
Audit fees	-	-	-	16,781	-	16,781	16,781	41,363
Instructional supplies and materials	213,231	41,671	254,902	-	-	-	254,902	266,356
Office expense	33,844	14,144	47,988	2,526	-	2,526	50,514	66,172
Technology and communication	47,487	19,846	67,333	3,544	-	3,544	70,877	85,826
Insurance	39,280	16,415	55,695	2,931	-	2,931	58,626	38,025
Staff development	19,342	7,454	26,796	12,012	-	12,012	38,808	61,395
Marketing and staff/student recruiting	33,549	3,036	36,585	542	-	542	37,127	33,542
Postage, printing and copying	685	287	972	51	-	51	1,023	2,370
Student meals	137	44	181	-	-	-	181	4,731
Depreciation	37,112	15,509	52,621	2,770	-	2,770	55,391	76,883
Dues, fees and subscriptions	17,946	5,763	23,709	-	-	-	23,709	4,768
Repairs and maintenance	-	-	-	-	-	-	-	7,500
Events	5,934	1,906	7,840	-	10,345	10,345	18,185	24,632
	<u>\$ 2,832,262</u>	<u>\$ 1,746,194</u>	<u>\$ 4,578,456</u>	<u>\$ 504,982</u>	<u>\$ 11,010</u>	<u>\$ 515,992</u>	<u>\$ 5,094,448</u>	<u>\$ 5,392,792</u>

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

SUMMIT ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

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

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 462,527	\$ 596,726
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	55,391	76,883
Bad debt expense	17,325	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(12,690)	136,658
Prepaid expenses	(56,823)	43,335
Accounts payable and other current liabilities	(148,580)	166,367
Accrued payroll	(32,576)	9,613
Deferred revenue	-	(7,098)
	<u>284,574</u>	<u>1,022,484</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	284,574	1,022,484
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(85,121)</u>	<u>(9,245)</u>
	(85,121)	(9,245)
NET CASH USED FOR INVESTING ACTIVITIES	(85,121)	(9,245)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on note payable	<u>745,675</u>	<u>-</u>
	745,675	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	745,675	-
NET INCREASE IN CASH AND RESTRICTED CASH	945,128	1,013,239
Cash and restricted cash at beginning of year	<u>1,474,250</u>	<u>461,011</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 2,419,378</u>	<u>\$ 1,474,250</u>

SUMMIT ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 2,344,222	\$ 1,399,102
Cash in escrow	<u>75,156</u>	<u>75,148</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 2,419,378</u>	<u>\$ 1,474,250</u>

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

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(With Comparative Totals for 2019)

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

The Charter School

Summit Academy Charter School (the “Charter School”) is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On December 16, 2008, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years. On December 17, 2013, the Board of Regents of the University of the State of New York granted the Charter School a first renewal for a term up through and including June 30, 2017. On April 4, 2017, the Board of Regents of the University of the State of New York granted the Charter School a second renewal for a term up through and including June 30, 2019. On May 2, 2019, the Board of Regents of the University of the State of New York granted the Charter School a third renewal for a term up through and including June 30, 2024.

The Charter School’s mission is to bridge the gap between aspirations and realities by preparing 6th through 12th grade students to gain acceptance to, excel in and graduate from college by using three pillars of success: mastery of core subjects, character building, and community leadership. By engaging students with an academically rigorous, college-preparatory curriculum and supporting them in a community focused on high academic achievement and strong character building, the Charter School will prepare our young people to participate meaningfully in the greater economy and expand their choices and opportunities.

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.

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.

Net Assets With Donor Restrictions

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

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Revenue recognition

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

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

Public school district revenue

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

	<u>June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Grants and other receivables	\$ 58,612	\$ 12,263	\$ 121,704

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.

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.

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

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. There were no amounts received prior to incurring qualifying expenditures, which would be reported as deferred revenue in the accompanying statement of financial position at June 30, 2020 and 2019. There were no cost-reimbursement grants that had not been recognized at June 30, 2020 and 2019 because qualifying expenditures had not yet been incurred.

Cash

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

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 or 2019.

Property and equipment

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The escrow is restricted to fund legal and other costs in the event of dissolution of the Charter School.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income. The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so.

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.

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received transportation services, food services, building/custodians/school safety services, metro cards, software, special education services and speech and occupational therapy classes for the students from the local district. The Charter School was unable to determine a value for these services.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$37,000 and \$34,000 for the years ended June 30, 2020 and 2019, respectively.

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.

Comparatives for year ended June 30, 2019

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

Adoption of New Accounting Standards

Revenue from contracts with customers

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

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

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

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 23, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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 and 2019.

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 2,344,222	\$ 1,399,102
Grants and other receivables	<u>131,292</u>	<u>135,927</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 2,475,514</u>	<u>\$ 1,535,029</u>

NOTE C: NOTE PAYABLE

In response to the COVID-19 outbreak, in June 2020 the Charter School applied for and was approved by a bank for a loan of \$745,675 through the Paycheck Protection Program established by the Small Business Administration. The loan has a maturity of 2 years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Charter School. The loan was funded on June 25, 2020.

Estimated annual maturities of the note payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 244,820
2022	<u>500,855</u>
	<u>\$ 745,675</u>

SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020
(With Comparative Totals for 2019)

NOTE D: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	2020	2019
Undesignated	\$ 1,510,106	\$ 1,077,309
Invested in property and equipment	109,562	79,832
	\$ 1,619,668	\$ 1,157,141

NOTE E: SCHOOL FACILITY

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has verbally committed space to the Charter School at no charge. The facilities and services provided by the New York City Department of Education to the Charter School are outlined in a Shared Facility Use Agreement.

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2020	2019
Furniture and fixtures	\$ 303,465	\$ 272,032
Computers and equipment	926,431	872,743
	1,229,896	1,144,775
Less accumulated depreciation	1,120,334	1,064,943
	\$ 109,562	\$ 79,832

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE G: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through January 2024. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 24,850
2022	22,068
2023	17,868
2024	7,434
	<u>\$ 72,220</u>

NOTE H: CONTINGENCY

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

NOTE I: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. Contributions made to the Plan are credited to each individual participant's account maintained under a group annuity contract issued by American Funds. The Charter School matches employee contributions up to 5% of gross pay. The Charter School's contribution does not become vested until its second year, when it becomes 50% vested and then is 100% vested after three years. The Charter School contributed approximately \$55,000 and \$71,000 to the Plan for the years ended June 30, 2020 and 2019, respectively.

NOTE J: RELATED PARTY TRANSACTIONS

Friends of Summit, Inc., a not-for-profit organization under Section 501(c)(3) of the Code, was established to provide support to social, cultural and educational alternative programs for inner city youth, in Brooklyn, New York, and to sponsor new and the growth of existing programs for youth in Red Hook and South Brooklyn. An officer of Friends of Summit, Inc. is also an officer of the Charter School. Friends of Summit, Inc. assisted with the establishment of the Charter School and in obtaining its charter. No material transactions occurred between Friends of Summit, Inc. and Summit Academy Charter School for the years ended June 30, 2020 and 2019.

SUMMIT ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE K: CONCENTRATIONS

Approximately 91% of grants and other receivables were due from New York State at both June 30, 2020 and 2019.

Approximately 96% of total operating revenue and support came from per-pupil funding provided by New York State during both the years ended June 30, 2020 and 2019. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located.

NOTE L: COMMITMENTS

Effective July 1, 2019, the Charter School entered into a contract with an organization to provide educational consulting and support to the Charter School in conjunction with its charter renewal process until either expiration of the Charter School's charter agreement on June 30, 2024 or termination of the contract. The agreement calls for a monthly fee of 7.5% of total state and local public revenues based on actual student enrollment counts billed to the local school district. The agreement also called for a one-time restructuring fee of \$130,000 for services provided to the Charter School from May 7, 2019 to July 24, 2019. Approximately \$110,000 of the related restructuring expense is included in accounts payable and other current liabilities on the statement of financial position at June 30, 2019. Approximately \$30,000 of management fee expense is included in accounts payable and other current liabilities on the statement of financial position at June 30, 2020. Effective July 1, 2019, one board member is also an employee of the consulting organization.

NOTE M: 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 N: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally. 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.

SUMMIT ACADEMY CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Summit Academy Charter School

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Summit Academy Charter School, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 23, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Summit Academy Charter 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2020-001.

Summit Academy Charter School's Response to Finding

Summit Academy Charter School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Summit Academy Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 23, 2020

SUMMIT ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Finding 2020-001

Statement of condition

During our audit, we noted the Charter School did not adhere to the terms of their charter agreement as the School's enrollment fell below 85% of the projected enrollment for 2019-2020 academic year and written approval from NYCDOE was not obtained.

Criteria and effect of conditions

During our audit, we noted the Charter School's charter agreement requires the Charter School to enroll no less than 85% of the projected enrollment for a given academic year. We noted the Charter School's enrollment was 81% of the projected enrollment for the 2019-2020 academic year.

Recommendation

We recommend the Charter School obtain written approval from NYCDOE if enrollment falls below 85% of projected enrollment for a given academic year.

Management response

Summit Academy Charter School acknowledges the findings of Mengel, Metzger, Barr & Co., LLP in the 2020 Independent Audit. The school recognizes that enrollment for the 2019 - 2020 school year did not meet the standard of 85% of the target enrollment as specified in the charter agreement. The facts are indisputable. However, the school wishes to ensure that the audit acknowledges the challenges that led to a decreased enrollment for the school year in question.

In May of 2019, the Department of Education determined that the school would undergo a mandatory restructuring for Summit to receive a renewal, including partnering with a turnaround team. The community hearings and discussions were public and heavily reported by local news outlets. Although the determination was not school closure, several outlets reported a possibility of closing Summit Academy. Naturally, this kind of press had an impact on recruitment for the 2019 - 2020 school year. Additionally, the restructuring led to several popular and critical staff members' departure, which also lessened the community's confidence in the school to maintain its integrity.

Given all of the challenges that Summit faced during the end of the 2018 - 2019 school year, we anticipated a slight decrease in our enrollment. Much of the work we did around recruitment ensured families that we still exist and keeping them abreast of the key personnel that would remain to maintain some semblance of continuity. Our efforts extended through December, even as we were beginning recruitment for the 2020 - 2021 school year. In March, an unanticipated pandemic swept through the country and caused new recruitment challenges for the current school year. We are actively engaged in recruitment activities to remedy the decrease in enrollment.

Summit Academy Charter School

Proposed Operating Budget - Summary

Fiscal Year 2020-21

with Fiscal Year 2019-20 Comparison

	<u>FY 2020-21</u> <u>Budget</u>
General Education	300
Sped 0% - 20%	-
Sped 20% - 60%	-
Sped 60% +	-
Total Revenue	\$ 5,741,002
Total Expenses	5,611,492
<i>Net Position</i>	<u>129,510</u>
1-Time Stimulus Grant	<u>150,000</u>
1-Time PPP Loan Forgiven Amount	<u>250,000</u>
Modified Net Operating Position	<u>529,510</u>
COVID-19 Crisis Contingency equal to 20% of Per Pupil Revenue	<u>1,104,528</u>
Adjusted Net Operating Position	<u>(575,018)</u>
GAAP Adjustments	<u>(77,522)</u>
Net Operating Position after GAAP Adjustments	<u>(652,540)</u>
<i>Prior Year surplus designated to the acquisition of PP Devices & Equipment</i>	75,000
Adjusted GAAP Position after application of Prior Year Surplus	\$ (727,540)
Revenue and Support	
4100 State Grants	\$ 5,522,640
4200 Federal Grants	212,362
4300 Contributions	6,000
4400 Miscellaneous Income	-
Total Income	5,741,002
Expenses	
5000 Compensation	3,232,569
5400 Payroll Taxes and Benefits	918,185
6100 Administrative Expenses	195,879
6200 Professional Services	748,012
6300 Professional Development	10,000
6400 Marketing and Staff/Student Recruitment	41,167
6500 Fundraising Expenses	21,188
7100 Curriculum & Classroom Expenses	206,175
8200 Technology/Communication Expens	172,940
8800 Miscellaneous Expenses	5,500
8900 Depreciation	59,878
Total Expenses	5,611,492
Net Operating Excess/(Deficit)	\$ 129,510



Latoya Massey
Principal

Dr. Natasha A. Campbell
Founder
Director of Community Schools

Summit Academy Charter School 2020 Escrow Agreement

Background

In the event of termination or revocation of the Charter, the Charter School shall follow the procedures set forth in the Application and § 2851 (2) (t) of the Act, for the transfer of students and student records to the school district in which the Charter School is located and for the disposition of the Charter School's assets to the City School District of the City of New York or to another charter school located therein. In addition, in case of such an event, the Charter School will follow any additional procedures required by OPD and the Regents to ensure an orderly dissolution process, including compliance with the applicable requirements of Education Law §§ 219 and 220.

Escrow Account for Dissolution. The Charter School agrees to establish an escrow account of no less than \$70,000 to pay for legal and audit expenses that would be associated with a dissolution should it occur.

Type of Account and Monetary Reserve Requirement

Pursuant to the Charter Agreement, the NYCDOE requires each New York City Chancellor-Authorized Charter School to set up an escrow of *at least* \$25,000. NYCDOE now requires that the amount required in escrow increase from \$25,000 to at least \$70,000 by the third year of operation. Accounts set up in lieu of an escrow account (e.g. savings account, checking account, money market deposit account, certificate of deposit, etc.) are deemed unacceptable for this purpose. Interest earned in an escrow account may be withdrawn by the school.

Summit Academy Charter School has established an escrow account of no less than \$75,000 per year for the first five years of operations to pay for legal and audit expenses associated with the dissolution should it occur. The interest-bearing account will be maintained for the life of the school.