

VERTUS CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2020

October 29, 2020

Board of Trustees
Vertus Charter School

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

During the course of our audit of the financial statements of Vertus Charter School as of June 30, 2020, we observed the Charter School’s significant accounting policies and procedures and certain business, financial and administrative practices. As a result of our observations, we suggest you consider the following comment which we consider to be a material weakness:

Status of matters included in our letter as of June 30, 2019, dated October 29, 2019

Material Audit Adjustment

During our audit, we noted contribution revenue was overstated. A note payable from a related party was incorrectly recorded as a contribution resulting in a material audit adjustment.

Recommendation

We recommend the Charter School review the detail of all transactions to assure proper accounting treatment.

Status at June 30, 2020

During our audit, we noted contributions, per-pupil and federal revenues were incorrectly recorded resulting in an overall material adjustment to revenues as a whole. We continue to recommend the Charter School review the detail of all transactions to assure proper accounting treatment.

Status of matters included in our letter as of June 30, 2018, dated October 24, 2018

The following item was not considered a significant deficiency or material weakness:

Employee Bonuses

During our audit, we noted the employee bonuses were approved by the Principal, but they were not approved by the Board or recorded in the Board meeting minutes as required by the Charter School's Financial Policies and Procedures Manual.

Recommendation

We recommend the Charter School follow the policies and procedures outlined in the Financial Policies and Procedures Manual.

Status at June 30, 2019

During our audit, we noted employee bonuses were approved by the Principal, but they were not approved by the Board or recorded in the Board meeting minutes as required by the Charter School's Financial Policies and Procedures Manual. We continue to recommend the Charter School follow the policies and procedures outlined in the Financial Policies and Procedures Manual.

Status at June 30, 2020

During our audit, we noted employee bonuses were both approved by the Board and recorded in the June 2020 Board meeting minutes as required by the Charter School's Financial Policies and Procedures Manual.

Status of matters included in our letter as of June 30, 2016, dated October 24, 2016:

The following item was not considered a significant deficiency or material weakness:

Birth Certificates

During our audit, we reviewed student files and noted that some files were missing student's birth certificates. We noted there was no other document, such as a passport, included in the files to identify the students.

Recommendation

We recommend all students who enter the Charter School provide a copy of their birth certificate or passport to identify themselves and keep in their student file.

Status at June 30, 2017

During our audit, we reviewed student files and noted two instances where birth certificates for students were not available in the student's file.

Status at June 30, 2018

During our audit, we reviewed student files and noted two instances where birth certificates for students were not available in the student's file.

Status at June 30, 2019

During our audit, we reviewed student files and noted two instances where birth certificates for students were not available in the student's file. Additionally, we noted three instances where proof of residence was not available in the student's file.

Status at June 30, 2020

During our audit, we reviewed student files and noted one instance where a birth certificate for a student was not available in the student's file.

Status of matters included in our letter as of June 30, 2015, dated October 19, 2015:

The following item was not considered a significant deficiency or material weakness:

Financial Policies and Procedures

During our audit, we noted certain financial policies and procedures which were designed to ensure timely identification of material errors and accurate reporting were not always followed. Our audit of the Charter School revealed the following:

- Certain debit card purchases were made before receiving proper pre-approval from the Head of School or Board Member, as required by the Financial Policies and Procedures Manual (FPPM). Some of the aforementioned approvals were also not dated on the appropriate forms. We did note that all purchases had appropriate support and authorizations that were received after the fact.
- We noted the Charter School is not creating purchase orders to attach to disbursement packets that indicate payment approvals as detailed in its FPPM.

- It was noted the Chief Executive Officer (CEO) of the Charter School was not signing bank reconciliations showing her approval as stated in the FPPM.
- The FPPM states for purchases over \$20,000, multiple bids should be solicited to ensure best value. We noted that certain services over \$20,000 did not receive multiple bids.
- We noted a check over \$20,000 contained only the signature of the CEO; however, the FPPM requires checks over \$20,000 to be signed by either the Board Chair or the Treasurer of the Board, in addition to the CEO or COO.

Recommendation

The Charter School has extensive policies and procedures which are formally documented in the FPPM and has hired an outside financial consultant to assist with these controls. We recommend the Charter School continue to implement these internal controls as documented in the FPPM. If revisions to these policies or procedures are required to reflect changes, they should be documented and disseminated to all affected personnel.

Status at June 30, 2016

During our 2016 audit, we noted checks over \$20,000 were not being signed by a Board Member. We recommend the Charter School continue to implement this internal control as documented in the FPPM. All other matters appear to have been resolved in the current year.

Status at June 30, 2017

During our 2017 audit, we noted certain financial policies and procedures were not always followed. We noted a check over \$20,000 was not signed by a Board Member. We also noted one instance where a packing slip was not kept in the cash disbursement packet. In addition, we noted certain debit card purchases were made before receiving proper pre-approval from the Head of School or Board Member, as required by the Financial Policies and Procedures Manual (FPPM). We recommend the Charter School continue to implement these internal controls as documented in the FPPM.

Status at June 30, 2018

During our audit, we noted certain financial policies and procedures were not always followed. We noted certain debit card purchases were made before receiving proper pre-approval from the Head of School or Board Member. We recommend the Charter School continue to implement these internal controls as documented in the FPPM.

Status at June 30, 2019

During our audit, we noted certain financial policies and procedures were not always followed. We noted certain bank reconciliations were not reviewed by the Principal and were not signed off documenting review. Checks were not deposited in a timely manner. Additionally, we noted the Principal approved her own expense reimbursements and the reimbursements were not approved by the Board. We also noted certain debit card purchases were made before receiving pre-approval from the Principal or Board Member and receipts were not maintained for certain debit card purchases. We recommend the Charter School continue to implement these internal controls as documented in the FPPM.

Status at June 30, 2020

During our audit, we noted the Financial Associate did not sign off on certain bank statements documenting review. Additionally, we noted the Principal approved her own expense reimbursements and the reimbursements were not approved by the Board. We also noted certain debit card purchases were made without documented approval from the Principal and receipts were not maintained for certain debit card purchases. We recommend the Charter School continue to implement these internal controls as documented in the FPPM.

* * * * *

This communication is intended solely for the information and use of the Board of Trustees, management, others within the organization, and governmental authorities and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Michelle Cain or Caitlin Langmead.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

VERTUS CHARTER SCHOOL

ROCHESTER, 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 (Deficiency) | 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> | 23 |
| Schedule of Findings and Reponses | 25 |

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Vertus Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Vertus 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 (deficiency), functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vertus Charter School as of June 30, 2020, and the changes in its net assets (deficiency) 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 Vertus 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 29, 2020 on our consideration of Vertus 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 Vertus 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, Vertus Charter School adopted new accounting guidance for recognition of revenue, contributions received and statement of cash flow presentation. Our opinion is not modified with respect to these matters.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 29, 2020

VERTUS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020
(With Comparative Totals for 2019)

| <u>ASSETS</u> | June 30, | |
|--|--------------|------------|
| | 2020 | 2019 |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 920,691 | \$ - |
| Grants and other receivables | 71,238 | 34,727 |
| Prepaid expenses and other current assets | 2,135 | 256 |
| TOTAL CURRENT ASSETS | 994,064 | 34,983 |
| <u>PROPERTY AND EQUIPMENT, net</u> | 430,548 | 537,251 |
| <u>OTHER ASSETS</u> | | |
| Cash in escrow | 75,000 | 75,000 |
| TOTAL ASSETS | \$ 1,499,612 | \$ 647,234 |
| <u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Line of credit | \$ - | \$ 150,000 |
| Note payable - related party | - | 125,000 |
| Current portion of long-term debt | 314,078 | 62,953 |
| Accounts payable and accrued expenses | 203,929 | 141,558 |
| Accrued payroll and benefits | 143,268 | 121,314 |
| Capital lease payable | 20,604 | - |
| Deferred revenue | 50,000 | - |
| TOTAL CURRENT LIABILITIES | 731,879 | 600,825 |
| <u>DEFERRED LEASE LIABILITY</u> | 219,897 | 213,560 |
| <u>LONG-TERM DEBT</u> | 324,080 | 54,605 |
| TOTAL LIABILITIES | 1,275,856 | 868,990 |
| <u>NET ASSETS (DEFICIENCY)</u> | | |
| Without donor restrictions | 222,155 | (250,676) |
| With donor restrictions | 1,601 | 28,920 |
| TOTAL NET ASSETS (DEFICIENCY) | 223,756 | (221,756) |
| TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY) | \$ 1,499,612 | \$ 647,234 |

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

VERTUS CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIENCY)

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

| | Year ended June 30, | | | 2019 |
|--|-------------------------------|----------------------------|-------------------|---------------------|
| | 2020 | | Total | |
| | Without donor restrictions | With donor restrictions | | |
| Operating revenue and support: | | | | |
| State and local per pupil operating revenue | \$ 5,016,457 | \$ - | \$ 5,016,457 | \$ 4,408,089 |
| Government grants | 287,130 | - | 287,130 | 269,237 |
| Contributions | 78,690 | - | 78,690 | 240,756 |
| Fundraising | 25,829 | - | 25,829 | 18,666 |
| In-kind contributions | 24,500 | - | 24,500 | - |
| Other income | 4,637 | - | 4,637 | - |
| Net assets released from restriction | <u>27,319</u> | <u>(27,319)</u> | <u>-</u> | <u>-</u> |
| TOTAL OPERATING REVENUE AND SUPPORT | 5,464,562 | (27,319) | 5,437,243 | 4,936,748 |
| Expenses: | | | | |
| Program: | | | | |
| Regular education | 3,288,582 | - | 3,288,582 | 3,518,481 |
| Special education | 1,233,651 | - | 1,233,651 | 1,358,410 |
| Management and general | 464,997 | - | 464,997 | 524,336 |
| Fundraising and special events | 4,501 | - | 4,501 | 13,247 |
| TOTAL EXPENSES | <u>4,991,731</u> | <u>-</u> | <u>4,991,731</u> | <u>5,414,474</u> |
| CHANGE IN NET ASSETS | 472,831 | (27,319) | 445,512 | (477,726) |
| Net (deficiency) assets at beginning of year | <u>(250,676)</u> | <u>28,920</u> | <u>(221,756)</u> | <u>255,970</u> |
| NET ASSETS (DEFICIENCY) AT END OF YEAR | <u>\$ 222,155</u> | <u>\$ 1,601</u> | <u>\$ 223,756</u> | <u>\$ (221,756)</u> |

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

VERTUS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

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

| | Year ended June 30, 2020 | | | | | | | | Year ended June 30, 2019 |
|---|--------------------------|----------------------|----------------------|---------------------|------------------------------|--------------------------------------|-------------------|---------------------|--------------------------------|
| | No. of Positions | Program Services | | | Supporting Services | | | Total | |
| | | Regular Education | Special Education | Sub-total | Management and general | Fundraising and special events | Sub-total | | |
| Personnel services costs: | | | | | | | | | |
| Administrative staff personnel | 9 | \$ 179,681 | \$ 43,449 | \$ 223,130 | \$ 204,712 | \$ 4,488 | \$ 209,200 | \$ 432,330 | \$ 327,296 |
| Instructional personnel | 35 | 1,472,093 | 621,375 | 2,093,468 | - | - | - | 2,093,468 | 2,435,323 |
| Non-instructional personnel | 18 | 198,190 | 44,385 | 242,575 | 29,776 | - | 29,776 | 272,351 | 310,163 |
| Total salaries and wages | 62 | 1,849,964 | 709,209 | 2,559,173 | 234,488 | 4,488 | 238,976 | 2,798,149 | 3,072,782 |
| Fringe benefits and payroll taxes | | 344,116 | 137,647 | 481,763 | 47,647 | - | 47,647 | 529,410 | 550,895 |
| Retirement | | 48,501 | 19,401 | 67,902 | 6,716 | - | 6,716 | 74,618 | 69,489 |
| Legal services | | - | - | - | 321 | - | 321 | 321 | 667 |
| Accounting/Audit fees | | - | - | - | 17,715 | - | 17,715 | 17,715 | 17,315 |
| Professional fees - other | | 34,104 | 13,618 | 47,722 | 51,182 | - | 51,182 | 98,904 | 160,832 |
| Building and land rent | | 319,099 | 127,639 | 446,738 | 44,183 | - | 44,183 | 490,921 | 490,920 |
| Repairs and maintenance | | 51,693 | 20,678 | 72,371 | 7,158 | - | 7,158 | 79,529 | 102,493 |
| Insurance | | 39,532 | 15,813 | 55,345 | 5,474 | - | 5,474 | 60,819 | 64,035 |
| Utilities | | 22,992 | 9,197 | 32,189 | 3,183 | - | 3,183 | 35,372 | 40,319 |
| Supplies and materials | | 91,023 | 21,757 | 112,780 | 1,079 | - | 1,079 | 113,859 | 120,232 |
| Non-capitalized equipment and furnishings | | 34,357 | 9,804 | 44,161 | 1,659 | - | 1,659 | 45,820 | 14,624 |
| Professional development | | 9,658 | 2,225 | 11,883 | 6,966 | - | 6,966 | 18,849 | 30,380 |
| Student and staff recruitment | | 69,028 | 15,901 | 84,929 | 348 | - | 348 | 85,277 | 105,111 |
| Information technology | | 96,622 | 38,648 | 135,270 | 13,378 | - | 13,378 | 148,648 | 154,513 |
| Food service | | 579 | 130 | 709 | - | - | - | 709 | 223 |
| Student services | | 113,023 | 26,268 | 139,291 | 752 | - | 752 | 140,043 | 129,115 |
| Office expenses | | 51,625 | 20,650 | 72,275 | 7,148 | - | 7,148 | 79,423 | 84,809 |
| Depreciation and amortization | | 100,369 | 40,147 | 140,516 | 13,897 | - | 13,897 | 154,413 | 180,969 |
| Other | | 12,297 | 4,919 | 17,216 | 1,703 | 13 | 1,716 | 18,932 | 24,751 |
| | | <u>\$ 3,288,582</u> | <u>\$ 1,233,651</u> | <u>\$ 4,522,233</u> | <u>\$ 464,997</u> | <u>\$ 4,501</u> | <u>\$ 469,498</u> | <u>\$ 4,991,731</u> | <u>\$ 5,414,474</u> |

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

VERTUS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

| | Year ended June 30, | |
|--|---------------------|--------------|
| | 2020 | 2019 |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 445,512 | \$ (477,726) |
| Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities: | | |
| Depreciation and amortization | 154,413 | 180,969 |
| Changes in certain assets and liabilities affecting operations: | | |
| Grants and other receivables | (36,511) | 60,734 |
| Prepaid expenses and other current assets | (1,879) | 84,847 |
| Accounts payable and accrued expenses | 62,371 | (12,315) |
| Accrued payroll and benefits | 21,954 | (12,564) |
| Deferred revenue | 50,000 | (8,585) |
| Deferred lease liability | 6,337 | 10,920 |
| NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES | 702,197 | (173,720) |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | (16,499) | (68,872) |
| NET CASH USED FOR INVESTING ACTIVITIES | (16,499) | (68,872) |
| <u>CASH FLOWS- FINANCING ACTIVITIES</u> | | |
| Repayments on capital lease payable | (10,607) | - |
| Borrowings on line of credit | - | 150,000 |
| Repayments on line of credit | (150,000) | - |
| Borrowings on long term debt | 583,730 | - |
| Borrowings on note payable - related party | - | 215,000 |
| Repayments on note payable - related party | (125,000) | (90,000) |
| Repayments on long-term debt | (63,130) | (60,146) |
| NET CASH PROVIDED FROM FINANCING ACTIVITIES | 234,993 | 214,854 |
| NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH | 920,691 | (27,738) |
| Cash and restricted cash at beginning of year | 75,000 | 102,738 |
| CASH AND RESTRICTED CASH AT END OF YEAR | \$ 995,691 | \$ 75,000 |

VERTUS CHARTER SCHOOL

STATEMENT OF CASH FLOWS, Cont'd

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

| | <u>Year ended June 30,</u> | |
|---|----------------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u> | | |
| Cash paid during the year for interest | <u>\$ 7,140</u> | <u>\$ 10,888</u> |
| <u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u> | | |
| Capital leases entered into for property and equipment | <u>\$ 31,211</u> | <u>\$ -</u> |

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

VERTUS 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

Vertus Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Rochester, New York. On December 17, 2013 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 and renewable upon expiration. In April 2019, the Charter School was awarded a two-year renewal through June 30, 2021.

Financial Statement presentation

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). The Charter School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s 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 investment.

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 \$1,601 and \$28,920 of net assets with donor restrictions at June 30, 2020 and 2019, respectively.

Revenue and support 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 revenue both over time and at a point in time as follows:

| | <u>Year ended June 30,</u> | |
|------------------------------------|----------------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Revenues earned over time | \$ 5,082,547 | \$ 4,460,770 |
| Revenues earned at a point in time | <u>25,829</u> | <u>18,666</u> |
| | <u>\$ 5,108,376</u> | <u>\$ 4,479,436</u> |

VERTUS 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

State and local per pupil operating 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 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.

Fundraising

The Charter School conducts fundraising events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to the Charter School. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at fundraising events is measured at the actual cost to the Charter School. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the fundraising events, which ultimately benefit the donor rather than the Charter School, are recorded as fundraising expense in the statement of functional expenses. The performance obligation is delivery of the event. The event fee is set by the Charter School. Fundraising event fees collected by the Charter School in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For fundraising event fees received before year-end for an event to occur after year-end, the Charter School follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

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

| | June 30, | | |
|------------------------------|----------|----------|-----------|
| | 2020 | 2019 | 2018 |
| Grants and other receivables | \$ - | \$ 7,190 | \$ 14,347 |

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.

VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

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

Contributions 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.

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. There was \$50,000 in deferred revenue related to grants at June 30, 2020. There was no deferred revenue related to grants at June 30, 2019.

Cash

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement.

Cash and restricted cash balances at June 30, 2020 and 2019 consisted of the following:

| | <u>June 30,</u> | |
|----------------|-------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Cash | \$ 920,691 | \$ - |
| Cash in escrow | <u>75,000</u> | <u>75,000</u> |
| | <u>\$ 995,691</u> | <u>\$ 75,000</u> |

VERTUS 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

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 and 2019.

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 ten years. Leasehold improvements are amortized over the shorter of their useful life or the remaining lease term.

Deferred lease liability

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

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs were \$85,277 and \$105,111 for the years ended June 30, 2020 and 2019, respectively.

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.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. The Charter School receives transportation services and food supplies from local school districts. The Charter School was unable to determine a value for these services.

The Charter School received contributed equipment which was valued at \$24,500 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.

VERTUS 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

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.

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

Reclassifications

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

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 deficiency, at July 1, 2019. There was no adjustment to the opening balance of net deficiency 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.

VERTUS 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 Company is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Company'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 29, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

VERTUS 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 grants and other receivables.

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.

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 | \$ 920,691 | \$ - |
| Grants and other receivables | <u>71,238</u> | <u>34,727</u> |
| Total financial assets available within one year | 991,929 | 34,727 |
| Less: | | |
| Amounts unavailable for general expenditures within one year due to: | | |
| Restricted by donors with purpose restrictions | <u>(1,601)</u> | <u>(28,920)</u> |
| Total amounts unavailable for general expenditures within one year | <u>(1,601)</u> | <u>(28,920)</u> |
| Total financial assets available to management for general expenditures within one year | <u>\$ 990,328</u> | <u>\$ 5,807</u> |

The Charter School has a \$150,000 line of credit that they could draw upon in the event of unanticipated liquidity needs. There were no outstanding borrowings on this line at June 30, 2020.

VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>June 30,</u> | |
|--|-------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Furniture and fixtures | \$ 148,428 | \$ 148,428 |
| Computers and equipment | 618,712 | 574,730 |
| Software | 7,319 | 3,591 |
| Vehicles | 33,673 | 33,673 |
| Leasehold improvements | <u>437,819</u> | <u>437,819</u> |
| | 1,245,951 | 1,198,241 |
| Less accumulated depreciation and amortization | <u>815,403</u> | <u>660,990</u> |
| | <u>\$ 430,548</u> | <u>\$ 537,251</u> |

NOTE D: SCHOOL FACILITY

On January 20, 2016 the Charter School entered into a lease at 21 Humboldt Street. The commencement date of the lease was July 1, 2016 and no rent was due prior to the commencement date. The lease agreement expires on June 30, 2026 with options to extend. The lease has escalating payments throughout the 10 year term. Rent for this lease is approximately \$40,000 per month. Rent expense incurred under this lease agreement was approximately \$491,000 for both the years ended June 30, 2020 and 2019. Total approximate square footage usage for this facility is 48,800.

The future payments on this agreement are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2021 | \$ 485,000 |
| 2022 | 531,000 |
| 2023 | 536,000 |
| 2024 | 536,000 |
| 2025 | 541,000 |
| Thereafter | <u>541,000</u> |
| | <u>\$ 3,170,000</u> |

VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE E: CAPITAL LEASE PAYABLE

The Charter School entered into a capital lease payable during July 2019, payable in monthly installments of \$1,536 including interest at 1.37% per annum, through July 2021. The capital lease payable is secured by certain equipment. The capital lease had \$20,604 outstanding as of June 30, 2020 and is classified as a current liability at June 30, 2020.

The lease agreement is through July 2021 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2020. The net book value of this equipment was \$25,489 at June 30, 2020. Depreciation expense related to the capital lease was \$5,722 for the year ended June 30, 2020.

Interest expense related to the capital lease was \$3,580 during the year ended June 30, 2020.

NOTE F: LEASE COMMITMENTS

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$784 that will expire at various dates through July 2023. Total costs under these agreements were approximately \$25,200 for the year ended June 30, 2020 and \$29,800 for the year ended June 30, 2019.

The Charter School has entered into a capital lease agreement which is described in Note E.

Future undiscounted minimum lease payments for all leases are as follows:

| <u>Year ending June 30,</u> | <u>Operating leases</u> | <u>Capital leases</u> | <u>Total</u> |
|-----------------------------|-----------------------------|---------------------------|------------------|
| 2021 | \$ 8,478 | \$ 19,963 | \$ 28,441 |
| 2022 | 7,761 | 1,536 | 9,297 |
| 2023 | 6,756 | - | 6,756 |
| 2024 | 563 | - | 563 |
| | <u>\$ 23,558</u> | <u>\$ 21,499</u> | <u>\$ 45,057</u> |

VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE G: LONG-TERM DEBT AND LINE OF CREDIT

Long-term debt is summarized as follows:

| | <u>June 30,</u> | |
|--|-------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Note payable to a financial institution with monthly payments of \$5,563, including interest at 4.22%. The note is payable in full April 2021. This loan is personally guaranteed by a member of the community. | \$ 54,428 | \$ 117,558 |
| Paycheck Protection Program note payable to a bank due in monthly installments of \$32,851 including interest at 1% starting November 2020 through April 2022. The loan has the potential for forgiveness provided certain requirements are met by the Charter School. | <u>583,730</u> | <u>-</u> |
| | 638,158 | 117,558 |
| Less: current portion | <u>314,078</u> | <u>62,953</u> |
| | <u>\$ 324,080</u> | <u>\$ 54,605</u> |

The aggregate maturities of the long-term debt are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2021 | \$ 314,078 |
| 2022 | <u>324,080</u> |
| | <u>\$ 638,158</u> |

Line of credit

The Charter School has a line of credit with a limit of \$150,000 with an interest rate of 1.50 points above the Prime Rate. The effective rate at June 30, 2020 was 4.75%. The Charter School had \$150,000 in outstanding borrowings as of June 30, 2019. There were no outstanding borrowings as of June 30, 2020. The line of credit is personally guaranteed by the previous Chief Executive Officer and a board member of the Charter School.

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.

VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE I: CONCENTRATIONS

At June 30, 2020 and 2019, approximately 100% and 79% of grants and other receivables are due from the federal government relating to certain grants, respectively. At June 30, 2019, approximately 21% of grants and other receivables are due from the state government relating to per-pupil revenue. There were no grants and other receivables due from the state government relating to per-pupil revenue at June 30, 2020.

For the years ended June 30, 2020 and 2019, approximately 92% and 89%, respectively, 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 J: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. The Plan allows for the Charter School to make a safe harbor match to the Plan of 100% of salary deferrals up to the first 3% of plan compensation plus 50% of salary deferrals up to the next 2% of plan compensation. The Charter School contributed \$74,618 and \$69,489 to the Plan for the years ended June 30, 2020 and 2019, respectively.

NOTE K: NET ASSETS

Net assets without donor restrictions consist of the following:

| | <u>June 30,</u> | |
|---|-------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Undesignated | \$ (133,361) | \$ (670,369) |
| Invested in property and equipment, net of related debt | <u>355,516</u> | <u>419,693</u> |
| | <u>\$ 222,155</u> | <u>\$ (250,676)</u> |

Net assets with donor restrictions consist of the following:

| | <u>June 30,</u> | |
|-------------------------------------|-----------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| E-Nable Summer Program | \$ - | \$ 4,240 |
| O'Shae Imes Donor Advised Fund | 1,435 | 2,185 |
| Staff Curiosity Scholarship Program | 166 | 1,658 |
| Student Enrichment | - | 7,769 |
| Internal Consultant Support | - | <u>13,068</u> |
| | <u>\$ 1,601</u> | <u>\$ 28,920</u> |

VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE L: NOTE PAYABLE - RELATED PARTY

During the year ended June 30, 2019, the Charter School entered into two short term, non-interest bearing notes payable due to a board member in the amounts of \$90,000 and \$125,000. The \$90,000 note payable was repaid during the year ended June 30, 2019 leaving a balance of \$125,000. The balance was paid in full in July 2019.

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: RENEWAL PROCESS

The Charter School is currently in the process of renewing its charter as granted by The New York State Board of Regents. The Charter currently expires June 30, 2021. The renewal process includes review by New York State Department of Education (NYSED) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Upon review of the renewal application and results, NYSED will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed.

NOTE O: 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 originating in Wuhan, China (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.

VERTUS 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
Vertus Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vertus 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 (deficiency), functional expenses and cash flows for year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2020.

Internal Control over Financial Reporting

Management of Vertus Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Vertus 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 Vertus Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Vertus Charter School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control (Finding 2020-001) that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses (Finding 2020-001) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vertus 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Vertus Charter School in a separate letter dated October 29, 2020.

Charter School's Response to Finding

Vertus Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Vertus 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, Barw & Co. LLP

Rochester, New York
October 29, 2020

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

Finding 2020-001

Statement of condition

During our audit, we noted state and local per pupil operating revenue was overstated and federal revenues were understated. This resulted in material adjustments.

Criteria and effect of conditions

The per pupil reconciliations and federal grant tagging reports were prepared incorrectly resulting in material audit adjustments.

Recommendation

We recommend the Charter School's finance team gain more experience and training in these areas to be sure revenue is calculated correctly.

Management response

Management agrees. When recording revenue, management will review all reconciliations and confirm that revenues are allocated properly.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2019-001

Statement of condition

During our audit, we noted contribution revenue was overstated. This resulted in a material audit adjustment.

Criteria and effect of conditions

A note payable from a related party was incorrectly recorded as a contribution resulting in a material audit adjustment.

Recommendation

We recommend the Charter School review the detail of all transactions to assure proper accounting treatment.

Management response

Management agrees. When recording contributions, management will review all agreements provided with the funds.

Current status

During our 2020 audit, we noted contribution revenue was overstated. This resulted in a significant audit adjustment.



Annual Financial Statement Audit Report

for Board of Regents Authorized Charter Schools

| | |
|--|--------------------------------|
| School Name: | Vertus Charter School |
| Date (Report is due Nov. 1): | November 1, 2020 |
| Primary District of Location (If NYC select NYC DOE): | Rochester City School District |
| If located in NYC DOE select CSD: | - |
| School Fiscal Contact Name: | Jason Trzeciak |
| School Fiscal Contact Email: | [REDACTED] |
| School Fiscal Contact Phone: | [REDACTED] |
| School Audit Firm Name: | Mengel Metger 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 | |
| Management Letter Response | |
| Form 990 | Not complete |
| Federal Single Audit (A-133) | N/A |
| Corrective Action Plan | N/A |

Vertus Charter School
Statement of Financial Position
as of June 30

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|-----------------------|
| <u>CURRENT ASSETS</u> | | |
| Cash and cash equivalents | \$ 920,691 | \$ - |
| Grants and contracts receivable | 71,238 | 34,727 |
| Accounts receivables | - | - |
| Prepaid Expenses | 2,135 | 256 |
| Contributions and other receivables | - | - |
| Other current assets | - | - |
| TOTAL CURRENT ASSETS | <u>994,064</u> | <u>34,983</u> |
| <u>NON-CURRENT ASSETS</u> | | |
| Property, Building and Equipment, net | \$ 430,548 | \$ 537,251 |
| Restricted Cash | 75,000 | 75,000 |
| Security Deposits | - | - |
| Other Non-Current Assets | - | - |
| TOTAL NON-CURRENT ASSETS | <u>505,548</u> | <u>612,251</u> |
| TOTAL ASSETS | <u>1,499,612</u> | <u>647,234</u> |
| | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable and accrued expenses | \$ 203,929 | \$ 141,558 |
| Accrued payroll, payroll taxes and benefits | 143,268 | 121,314 |
| Current Portion of Loan Payable | 314,078 | 62,953 |
| Due to Related Parties | - | 125,000 |
| Refundable Advances | - | - |
| Deferred Revenue | 50,000 | - |
| Other Current Liabilities | 20,604 | 150,000 |
| TOTAL CURRENT LIABILITIES | <u>731,879</u> | <u>600,825</u> |
| <u>LONG-TERM LIABILITIES</u> | | |
| Loan Payable; Due in More than One Year | \$ - | \$ - |
| Deferred Rent | 219,897 | 213,560 |
| Due to Related Party | - | - |
| Other Long-Term Liabilities | 324,080 | 54,605 |
| TOTAL LONG-TERM LIABILITIES | <u>543,977</u> | <u>268,165</u> |
| TOTAL LIABILITIES | <u>1,275,856</u> | <u>868,990</u> |
| <u>NET ASSETS</u> | | |
| Unrestricted | \$ 222,155 | \$ (250,676) |
| Temporarily restricted | - | - |
| Permanently restricted | 1,601 | 28,920 |
| TOTAL NET ASSETS | <u>223,756</u> | <u>(221,756)</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>1,499,612</u> | <u>647,234</u> |

**Vertus Charter School
Statement of Activities
as of June 30**

| | 2020 | | | 2019 |
|---|---------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| OPERATING REVENUE | | | | |
| State and Local Per Pupil Revenue - Reg. Ed | \$ 5,016,457 | \$ - | \$ 5,016,457 | \$ 4,408,089 |
| State and Local Per Pupil Revenue - SPED | | - | - | |
| State and Local Per Pupil Facilities Revenue | | - | - | |
| Federal Grants | 287,130 | - | 287,130 | 269,237 |
| State and City Grants | - | - | - | - |
| Other Operating Income | 4,637 | - | 4,637 | - |
| Food Service/Child Nutrition Program | - | - | - | - |
| TOTAL OPERATING REVENUE | 5,308,224 | - | 5,308,224 | 4,677,326 |
| EXPENSES | | | | |
| Program Services | | | | |
| Regular Education | \$ 3,288,582 | \$ - | \$ 3,288,582 | \$ 3,518,481 |
| Special Education | 1,233,651 | - | 1,233,651 | 1,358,410 |
| Other Programs | - | - | - | - |
| Total Program Services | 4,522,233 | - | 4,522,233 | 4,876,891 |
| Management and general | 464,997 | - | 464,997 | 524,336 |
| Fundraising | 4,501 | - | 4,501 | 13,247 |
| TOTAL EXPENSES | 4,991,731 | - | 4,991,731 | 5,414,474 |
| SURPLUS / (DEFICIT) FROM OPERATIONS | 316,493 | - | 316,493 | (737,148) |
| SUPPORT AND OTHER REVENUE | | | | |
| Interest and Other Income | \$ - | \$ - | \$ - | \$ - |
| Contributions and Grants | 78,690 | - | 78,690 | 240,756 |
| Fundraising Support | 25,829 | - | 25,829 | 18,666 |
| Investments | - | - | - | - |
| Donated Services | - | - | - | - |
| Other Support and Revenue | 24,500 | - | 24,500 | - |
| TOTAL SUPPORT AND OTHER REVENUE | 129,019 | - | 129,019 | 259,422 |
| Net Assets Released from Restrictions / Loss on Disposal of Assets | \$ 27,319 | \$ (27,319) | \$ - | \$ - |
| CHANGE IN NET ASSETS | 472,831 | (27,319) | 445,512 | (477,726) |
| NET ASSETS - BEGINNING OF YEAR | \$ (250,676) | \$ 28,920 | \$ (221,756) | \$ 255,970 |
| PRIOR YEAR/PERIOD ADJUSTMENTS | - | - | - | - |
| NET ASSETS - END OF YEAR | \$ 222,155 | \$ 1,601 | \$ 223,756 | \$ (221,756) |

**Vertus Charter School
Statement of Cash Flows**

as of June 30

| | 2020 | 2019 |
|---|--------------------|---------------------|
| CASH FLOWS - OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 445,512 | \$ (477,726) |
| Revenues from School Districts | - | - |
| Accounts Receivable | - | - |
| Due from School Districts | - | - |
| Depreciation | 154,413 | 180,969 |
| Grants Receivable | (36,511) | 60,734 |
| Due from NYS | - | - |
| Grant revenues | - | - |
| Prepaid Expenses | (1,879) | 84,847 |
| Accounts Payable | 62,371 | (12,315) |
| Accrued Expenses | - | - |
| Accrued Liabilities | - | - |
| Contributions and fund-raising activities | - | - |
| Miscellaneous sources | - | - |
| Deferred Revenue | 50,000 | (8,585) |
| Interest payments | - | - |
| Accrued payroll and benefits | 21,954 | (12,564) |
| Deferred lease liability | 6,337 | 10,920 |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | \$ 702,197 | \$ (173,720) |
| CASH FLOWS - INVESTING ACTIVITIES | | |
| Purchase of equipment | (16,499) | (68,872) |
| Other | - | - |
| NET CASH PROVIDED FROM INVESTING ACTIVITIES | \$ (16,499) | \$ (68,872) |
| CASH FLOWS - FINANCING ACTIVITIES | | |
| Principal payments on long-term debt | 583,730 | - |
| Other | (348,737) | 214,854 |
| NET CASH PROVIDED FROM FINANCING ACTIVITIES | \$ 234,993 | \$ 214,854 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | \$ 920,691 | \$ (27,738) |
| Cash at beginning of year | 75,000 | 102,738 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 995,691 | \$ 75,000 |

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

| | | 2020 | | | | | | | 2019 | |
|--|-------------------|---------------------|---------------------|-------------|---------------------|------------------------|-------------------|-------------------|---------------------|---------------------|
| No. of Positions | Program Services | | | | Supporting Services | | | Total | | |
| | Regular Education | Special Education | Other Education | Total | Fundraising | Management and General | Total | | | |
| Personnel Services Costs | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Administrative Staff Personnel | 9.00 | 179,681 | 43,449 | - | 223,130 | 4,488 | 204,712 | 209,200 | 432,330 | 327,296 |
| Instructional Personnel | 35.00 | 1,472,093 | 621,375 | - | 2,093,468 | - | - | - | 2,093,468 | 2,435,323 |
| Non-Instructional Personnel | 18.00 | 198,190 | 44,385 | - | 242,575 | - | 29,776 | 29,776 | 272,351 | 310,163 |
| Total Salaries and Staff | 62.00 | 1,849,964 | 709,209 | - | 2,559,173 | 4,488 | 234,488 | 238,976 | 2,798,149 | 3,072,782 |
| Fringe Benefits & Payroll Taxes | | 344,116 | 137,647 | - | 481,763 | - | 47,647 | 47,647 | 529,410 | 550,895 |
| Retirement | | 48,501 | 19,401 | - | 67,902 | - | 6,716 | 6,716 | 74,618 | 69,489 |
| Management Company Fees | | - | - | - | - | - | - | - | - | - |
| Legal Service | | - | - | - | - | - | 321 | 321 | 321 | 667 |
| Accounting / Audit Services | | - | - | - | - | - | 17,715 | 17,715 | 17,715 | 17,315 |
| Other Purchased / Professional / Consulting Services | | 34,104 | 13,618 | - | 47,722 | - | 51,182 | 51,182 | 98,904 | 160,832 |
| Building and Land Rent / Lease | | 319,099 | 127,639 | - | 446,738 | - | 44,183 | 44,183 | 490,921 | 490,920 |
| Repairs & Maintenance | | 51,693 | 20,678 | - | 72,371 | - | 7,158 | 7,158 | 79,529 | 102,493 |
| Insurance | | 39,532 | 15,813 | - | 55,345 | - | 5,474 | 5,474 | 60,819 | 64,035 |
| Utilities | | 22,992 | 9,197 | - | 32,189 | - | 3,183 | 3,183 | 35,372 | 40,319 |
| Supplies / Materials | | 91,023 | 21,757 | - | 112,780 | - | 1,079 | 1,079 | 113,859 | 120,232 |
| Equipment / Furnishings | | 34,357 | 9,804 | - | 44,161 | - | 1,659 | 1,659 | 45,820 | 14,627 |
| Staff Development | | 9,658 | 2,225 | - | 11,883 | - | 6,966 | 6,966 | 18,849 | 30,380 |
| Marketing / Recruitment | | 69,028 | 15,901 | - | 84,929 | - | 348 | 348 | 85,277 | 105,111 |
| Technology | | 96,622 | 38,648 | - | 135,270 | - | 13,378 | 13,378 | 148,648 | 154,513 |
| Food Service | | 579 | 130 | - | 709 | - | - | - | 709 | 223 |
| Student Services | | 113,023 | 26,268 | - | 139,291 | - | 752 | 752 | 140,043 | 129,115 |
| Office Expense | | 51,625 | 20,650 | - | 72,275 | - | 7,148 | 7,148 | 79,423 | 84,809 |
| Depreciation | | 100,369 | 40,147 | - | 140,516 | - | 13,897 | 13,897 | 154,413 | 180,969 |
| OTHER | | 12,297 | 4,919 | - | 17,216 | 13 | 1,703 | 1,716 | 18,932 | 24,751 |
| Total Expenses | | \$ 3,288,582 | \$ 1,233,651 | \$ - | \$ 4,522,233 | \$ 4,501 | \$ 464,997 | \$ 469,498 | \$ 4,991,731 | \$ 5,414,477 |



Vertus HIGH SCHOOL

21 Humboldt Street
Rochester, New York 14609

Tel (585) 747-8911
Fax (585) 254-1251

Findings – 2020

Statement of condition:

During the audit, MMB noted state and local per pupil operating revenue was overstated and federal revenues were understated, resulting in material adjustments.

Criteria and effect of condition:

The per pupil reconciliations and federal grant tagging reports were prepared incorrectly resulting in material audit adjustments.

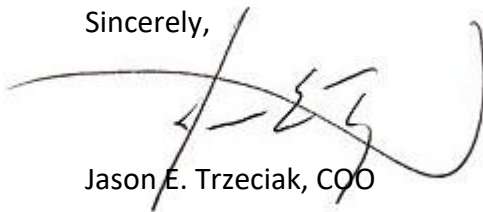
Recommendation:

MMB recommends that Vertus' finance team gain more experience and training in these areas to be sure revenue is calculated correctly.

Management Response:

Fiscal year 2019-20 was our first year working with a new financial consulting firm, DeJoy, Knauf, & Blood (DKB) who is handling the revenue reconciliations on Vertus' behalf. As such, there were many unknowns for the firm to come up to speed on. Going forward, we will work more closely together in fiscal year 2020-21 to ensure proper recording of both per pupil and federal revenues. Vertus will review all revenue reconciliations with DKB closely and confirm that revenues are allocated properly resulting in accurate year-end reconciliations. Vertus will also pass on the recommendation that key members of the team at DKB consider additional training in these areas.

Sincerely,



Jason E. Trzeciak, COO

Vertus Charter School Budget

CONFIDENTIAL

| | 2020-21 Approved | Notes - 2020-21 |
|---|---------------------|---|
| Total Number of Students | 300 | RCSD - 271 - Outside - 25 |
| Number of Special Ed Students | 60 | Assume 20% (current estimate is closer to 70) |
| Revenue | | |
| 4100 State Grants | | |
| 4101 Per Pupil General Education | 4,136,100 | Based on guidance from NYCSA |
| 4102 Per Pupil Special Education | 990,000 | Assumes 95% paid at full 60% rate |
| 4103 SSF Grant | 0 | |
| Total 4100 State Grants | 5,126,100 | |
| 4200 Federal Grants | | |
| 4201 IDEA Special Needs | 70,000 | 2019-20 Actual \$73,433 |
| 4202 Title I | 170,000 | 2019-20 Actual \$174,234 |
| 4203 Title IIA | 20,000 | 2019-20 Actual \$20,940 |
| 4204 Title IVA | 10,000 | 2019-20 Actual \$10,939 |
| 4205 CSP | 0 | |
| 4206 E-Rate | 28,000 | Project 2020-21 budget |
| 4207 School Food | | |
| Total 4200 Federal Grants | 298,000 | |
| 4300 Contributions & Donations | | |
| 4301 Restricted Contributions | 50,000 | McGowan Foundation |
| 4302 Unrestricted Contributions | 0 | |
| 4303 NGLC Grant | 0 | |
| 4304 Farash Foundation | 0 | |
| 4305 Fundraising | 125,000 | \$100K Summers Foundation - Additional \$25K needed |
| Total 4300 Contributions & Donations | 175,000 | |
| 4400 Fundraising | | |
| 4401 Fundraising Events | 25,000 | Basketball Tournament |
| Total 4400 Fundraising | 25,000 | |
| 4500 Interest Income | | |
| 4501 Interest Income | 0 | |
| Total 4500 Interest Income | 0 | |
| Total Revenue | 5,624,100 | |
| Expenditures | | |
| 2200 Misc. Payables | | |
| 2201 Loan Payable | 51,000 | Remaining balance due |

Vertus Charter School Budget
CONFIDENTIAL

| | 2020-21 Approved | Notes - 2020-21 |
|--|-----------------------------|--|
| Total 2200 Misc. Payables | 51,000 | |
| 5000 Compensation | | |
| 5100 Administrative Staff | | |
| 5102 Director of External Affairs | 0 | |
| 5103 Chief Operating Officer | 92,000 | |
| 5104 Ops/Finance/Data Associates | 242,685 | Danielle, Deane, John, Yari, Ryan, Pippa |
| 5108 Custodian | 34,320 | |
| 5109 Student Recruiter | 53,000 | Michael, Linda |
| 5110 Athletics Coach | 42,690 | |
| Total 5100 Administrative Staff | 464,695 | |
| 5200 Instructional Staff | | |
| 5101 CEO | | |
| 5209 Principal | 121,000 | Must be approved by Board |
| 5106 Head Dean | 64,000 | |
| 5105 Deans | 160,331 | Added 1 FTE for 2020-21 |
| 5201 Director of Blended Learning | 65,000 | Tim Hill |
| 5210 Director of Student Support | 68,289 | |
| 5211 Instructional Coach | 66,000 | |
| 5202 Teachers | 547,920 | Moved Maez to AD |
| 5214 Athletic Director | 62,000 | |
| 5203 SPED Coordinator | 55,682 | |
| 5204 SPED Teachers | 292,615 | 6 FTE plus Andre Johnson (in Preceptors line) |
| 5205 Teaching Fellows | 173,080 | Bonita, 3 AI Support, Sha-yon as e-Dynamic Learning Lead |
| 5206 Preceptors | 717,940 | 16 FTE plus Levi (lead) - includes Johnson in dual role |
| 5207 Career Program Manager/ Guidance | 132,780 | Includes Jennifer at \$3,000 monthly (partially funded by Summers) |
| 5208 Behavior Support Specialist | 78,583 | 1.5 FTE - Scott, Hank |
| 5213 Academic Intervention Specialist | 54,590 | |
| 5212 Extra Work Stipends | 0 | In Other line below |
| Total 5200 Instructional Staff | 2,659,810 | |
| Total 5000 Compensation | 3,124,505 | |
| 5300 Other | | |
| 5301 Bonus/ staff incentives | 15,000 | 2019-20 will be about \$12,800 |
| 5302 Other | 18,000 | Teacing and enrichment stipends, extra work |
| Total 5300 Other | 33,000 | |
| 5500 Payroll Taxes and Benefits | | |
| 5501 FUTA | 0 | |
| 5502 NY State Unemployment Insurance | 29,200 | |

Vertus Charter School Budget
CONFIDENTIAL

| | 2020-21 Approved | Notes - 2020-21 |
|--|-----------------------------|---|
| 5503 Social Security - ER | 205,000 | |
| 5504 Social Security - EE | 0 | |
| 5505 Medicare - ER | 48,000 | |
| 5506 Medicare - EE | 0 | |
| 5507 Federal Income Tax - Clearing | 0 | |
| 5508 State Income Tax - Clearing | 0 | |
| 5509 NY Disability | 5,845 | |
| Total 5500 Payroll Taxes | 288,045 | |
| 5600 Employee Benefits | | |
| 5601 Medical Insurance | 260,000 | |
| 5602 Dental Insurance | 25,400 | |
| 5603 Vision Insurance | 0 | |
| 5604 Worker's Compensation Expense | 25,000 | |
| 5605 STD, LTD, Life Insurance & NYS Disability Insurance | 0 | |
| 5606 FSA | 0 | |
| Total 5600 Employee Benefits | 310,400 | |
| 5700 Retirement & Pension | | |
| 5701 401(k) Expenses | 3,500 | |
| 5702 401(k) Contributions - Clearing | 0 | |
| 5703 401(k) Contributions - Matching | 71,000 | |
| Total 5700 Retirement & Pension | 74,500 | |
| TOTAL Comp, Taxes, Benefits, Bonus, Retirement | 3,830,450 | |
| 6100 General Administrative | | |
| 6101 Office Supplies | 25,000 | Better inventory control and ordering process |
| 6102 Furniture (Non-Capitalized) | 1,000 | |
| 6103 Equipment (Non-Capitalized) | 3,000 | |
| 6104 Postage | 8,000 | |
| 6105 Copy Machine Lease | 25,000 | Implementing better controls |
| 6106 Printing/Copying | 7,000 | |
| 6107 Staff Transportation | 1,500 | |
| 6108 Team Building/Staff Appreciation | 20,000 | |
| 6109 Dues and Subscriptions | 10,000 | |
| Total 6100 General Administrative | 100,500 | |
| 6200 Insurance | | |
| 6201 General | 65,000 | |

Vertus Charter School Budget
CONFIDENTIAL

| | 2020-21 Approved | Notes - 2020-21 |
|---|---------------------|--|
| Total 6200 Insurance | 65,000 | |
| 6300 Professional Services | | |
| 6301 Accounting/Audit | 26,000 | MMB audit fees plus DKB audit preparation |
| 6302 Payroll Services | 8,000 | |
| 6303 Financial Management Services | 36,000 | Adding services to contract with DKB in lieu of hiring additional operations staff |
| 6304 Legal In-Kind | 0 | |
| 6305 Legal Services | 2,000 | |
| 6306 Substitute Services | 0 | |
| 6307 E-Rate Services | 6,000 | |
| 6308 Grant Writing | 3,000 | |
| 6309 Charter School Consultants and Outside Services | 45,000 | Includes re-chartering consultant |
| 6311 Guidance Counselor | 0 | In compensation section |
| 6313 Vertus Bus Drivers | 10,000 | |
| Total 6300 Professional Services | 136,000 | |
| 6400 Professional Development | | |
| 6401 Instructional Staff Development | 10,000 | |
| 6402 Non-Instructional Staff Development | 0 | |
| 6403 Conferences and School Visits | 10,000 | |
| 6404 Board Expenses | 500 | |
| Total 6400 Professional Development | 20,500 | |
| 6500 Recruitment | | |
| 6501 Student Recruitment | 60,000 | Heavier focus on social media which reduces costs |
| 6502 Staff Recruitment | 6,000 | |
| Total 6500 Recruitment | 66,000 | |
| 6600 Fundraising Expenses/External Relations | | |
| 6601 General Fundraising Expenses | 1,000 | |
| Total 6600 Fundraising Expenses/External Relations | 1,000 | |
| 7100 Curriculum and Classroom | | |
| 7101 Classroom Supplies | 20,000 | |
| 7102 Libraries | 2,000 | |
| 7103 Digital Curricula | 22,947 | Edgenuity - 3 Year Term/50% Down in 2019-20, 25% payable in 2020-21 |
| 7103b College & Career Readiness Programs | 30,000 | |
| 7112 Classroom Furniture (Non-Asset) | 2,000 | |
| 7113 Classroom Equipment (Non-Asset) | 3,000 | |
| 7114 Assessment Supplies & Materials | 3,000 | |

Vertus Charter School Budget
CONFIDENTIAL

| | 2020-21 Approved | Notes - 2020-21 |
|---|-----------------------------|---|
| 7118 PhysEd Supplies & Materials | 4,000 | |
| 7121 Technology Supplies & Materials | 5,000 | |
| 7122 Field Trips | 2,000 | |
| 7124 Student Transportation | 84,520 | RTS and Out of District busing for summer session - Cost of starting on 9/3 plus extra 1/2 days |
| 7125 Student Rewards | 18,500 | |
| 7125a Student Employment Programs | 30,000 | Primarily e-NABLE |
| 7126 Parent Programs | 20,000 | |
| 7127 Student Meals | 2,000 | |
| 7128 Student Uniforms/Apparel | 8,000 | |
| 7129 Student Athletics Programs | 103,810 | Includes proposal for football team |
| Total 7100 Curriculum and Classroom | 360,777 | |
| 7200 Enrichment Programs | 3,500 | Purchases - Club Stipends paid in Other line under compensation |
| Total 7200 Enrichment Programs | 3,500 | |
| 8100 Facility Operations & Maintenance | | |
| 8101 Rent/Lease Payments | 490,920 | |
| 8102 Electric | 41,000 | |
| 8103 Gas | 0 | |
| 8104 Custodial & Cleaning | 60,000 | Using new company, significant savings |
| 8105 Repairs & Maintenance | 10,000 | |
| 8106 Other Facilities Expenses | 6,000 | |
| 8107 Bus Expenses | 10,000 | Bus is getting older |
| 8108 City/School Taxes Paid | 0 | |
| 8109 Moving Expenses | 0 | |
| 8110 Security System Expenses | 2,500 | |
| 8111 Landlord's Developers Fee | 0 | |
| Total 8100 Facility Operations & Maintenance | 620,420 | |
| 8200 Technology/Telecommunication Expense | | |
| 8201 Telephone | 3,000 | |
| 8202 Mobile Phone Expenses | 31,000 | Reduced unused lines, saving about \$7k per year |
| 8203 Internet Connectivity Expenses | 40,000 | Switched from Windstream to Spectrum, saving about \$5k per year |
| 8204 Network Maintenance/Tech Support | 50,000 | Includes E-Rate reimbursable expenses |
| Services | | |
| 8205 Database Services | 15,000 | PowerSchool - BOCES |
| 8206 Website Consultants/Expenses | 1,200 | |
| 8207 Technology Supplies | 1,500 | |
| Total 8200 Technology/Telecommunication Expense | 141,700 | |

Vertus Charter School Budget
CONFIDENTIAL

| | 2020-21 Approved | Notes - 2020-21 |
|---|-----------------------------|---|
| 8800 Miscellaneous Expenses | | |
| 8801 Bank Service Charge | 1,000 | |
| 8802 Interest/Late Charges/Debt Service | 10,000 | Loan interest - Late charges |
| 8803 Fees | 250 | |
| 8804 Sales Tax | 400 | |
| 8805 Expense Suspense Account | 0 | |
| 8806 Contingency | | |
| Total 8800 Miscellaneous Expenses | 11,650 | |
| 8900 Depreciation Expense & Amortization | | |
| 8901 Depreciation Expense | 200,000 | |
| Total 8900 Depreciation Expense & Amortization | 200,000 | |
| 9100 Bad Debts | | |
| Total 9100 Bad Debts | | |
| Total Operating Expenditures | 5,608,497 | |
| Fixed Assets | | |
| 1500 Fixed Assets | | |
| 1501 Staff Computers | 11,100 | Replace 5 year old laptops |
| 1502 Student Computers | 16,200 | Chromebooks for 2 LL Labs to replace desktops |
| 1503 Office Furniture | 0 | |
| 1504 Pupil Furniture | 0 | |
| 1505 Office Equipment | 0 | |
| 1506 Classroom Equipment | 2,100 | 2 Laptop carts |
| 1507 Fitness Center Equipment | 0 | |
| 1508 Maker Space Equipment | 0 | |
| 1509 Telecommunication Equipment | 8,200 | New Server Rack and Network Switch - Partially offset by E-Rate |
| 1510 Leasehold Improvements | 0 | |
| 1511 Software | 20,000 | e-Dynamic Learning software |
| 1512 Kitchen Equipment | 0 | |
| 1513 Vehicles | 0 | |
| Total 1500 Fixed Assets | 57,600 | |
| Total revenues | 5,624,100 | |
| Operating expenses | 5,608,497 | |
| Depreciation | 200,000 | |
| Fixed assets | 57,600 | |

**Vertus Charter School Budget
CONFIDENTIAL**

| | 2020-21 Approved | Notes - 2020-21 |
|--|-----------------------------|--|
| Subtotal | 158,003 | Fairly strongly in the black |
| Beginning balance ** | 152,112 | Will be adjusted to reality after we close 2019-20 |
| Total | 310,115 | |
| Escrow | 25,000 | |
| Estimated balance | 285,115 | |
| Loan proceeds (5 year term loan for new building) | | |
| Estimated balance with loan funds | | |



FOR INQUIRIES CALL: HENRIETTA
(585) 427-2906

00 0 00172M NM 017

000000

N

VERTUS CHARTER SCHOOL
ESCROW ACCOUNT
21 HUMBOLDT ST
ROCHESTER NY 14609

| ACCOUNT TYPE | |
|--------------------------------|---------------------|
| M&T ADVANCED BUSINESS CHECKING | |
| ACCOUNT NUMBER | STATEMENT PERIOD |
| ██████████ | 06/01/20 - 06/30/20 |
| BEGINNING BALANCE | \$75,000.00 |
| DEPOSITS & CREDITS | 0.00 |
| LESS CHECKS & DEBITS | 0.00 |
| LESS SERVICE CHARGES | 0.00 |
| ENDING BALANCE | \$75,000.00 |

ACCOUNT ACTIVITY

| POSTING DATE | TRANSACTION DESCRIPTION | DEPOSITS & OTHER CREDITS (+) | WITHDRAWALS & OTHER DEBITS (-) | DAILY BALANCE |
|--------------|--------------------------------|------------------------------|--------------------------------|---------------|
| 06/01/2020 | BEGINNING BALANCE | | | \$75,000.00 |
| | NUMBER OF DEPOSITS/CHECKS PAID | 0 | 0 | |

AS OF JULY 1, 2020, FUNDS FROM CHECK DEPOSITS IN EXCESS OF \$5,525 (PREVIOUSLY \$5,000) ON ANY ONE DAY MAY BE DELAYED. PLEASE REFER TO THE AVAILABILITY DISCLOSURE FOR COMMERCIAL DEPOSIT ACCOUNTS ("DISCLOSURE"). ALSO, WHEN DETERMINING THE AVAILABILITY OF YOUR DEPOSIT MADE TO A BRANCH EMPLOYEE, OUR BUSINESS DAY CUTOFF TIME WILL NOW BE THE BRANCH CLOSING TIME ON A BUSINESS DAY THAT WE ARE OPEN. MOBILE BANKING CHECK DEPOSITS HAVE A CUTOFF TIME OF 10:00 PM ET.

HOW TO BALANCE YOUR M&T BANK ACCOUNT

TO BALANCE YOUR ACCOUNT WITH THIS STATEMENT COMPLETE STEPS 1,2, & 3.

STEP 1 Place a checkmark (✓) beside each item listed on this statement which has a corresponding entry in your register.
Also place a checkmark next to the item in your register.

STEP 2 Add to your register:
(a) Any deposits and other credits shown on this statement which you have not already entered.
(b) Any interest this statement shows credited to your account.

STEP 3 Subtract from your register:
(a) Any checks or other withdrawals shown on this statement which you did not enter into your register.
(b) Any automatic loan payments or ATM or other electronic debits shown on this statement which you have not already subtracted.
(c) Any service charges shown on this statement which you have not already subtracted.

TO DETERMINE THE CURRENT BALANCE IN YOUR ACCOUNT:

STEP 4 List any outstanding checks or debits written in your register, but not yet appearing on your statement.

| OUTSTANDING CHECKS AND OTHER DEBITS | |
|-------------------------------------|-----------|
| NUMBER | AMOUNT |
| 1 | \$ |
| 2 | |
| 3 | |
| 4 | |
| 5 | |
| 6 | |
| 7 | |
| 8 | |
| 9 | |
| 10 | |
| 11 | |
| 12 | |
| SUBTOTAL OF COLUMN 1 | \$ |

| OUTSTANDING CHECKS AND OTHER DEBITS | |
|--|-----------|
| NUMBER | AMOUNT |
| 13 | \$ |
| 14 | |
| 15 | |
| 16 | |
| 17 | |
| 18 | |
| 19 | |
| 20 | |
| 21 | |
| 22 | |
| SUBTOTAL OF COLUMN 2 | |
| SUBTOTAL OF COLUMN 1 + | |
| TOTAL OUTSTANDING CHECKS AND DEBITS | \$ |

STEP 5 Enter on this line the **Ending Balance** shown in the summary on the front of this statement.

| | |
|----|--|
| \$ | |
|----|--|

STEP 6 Enter the **total of any deposits or other credits** shown on your register which are not shown on this statement.

| | |
|----|--|
| \$ | |
|----|--|

STEP 7 Enter the **total of STEPS 5 & 6.**

| | |
|----|--|
| \$ | |
|----|--|

STEP 8 Enter **TOTAL OUTSTANDING CHECKS & DEBITS** (from **STEP 4**).

| | |
|----|--|
| \$ | |
|----|--|

STEP 9 Subtract **STEP 8** from **STEP 7** and enter the difference here.

| | |
|----|--|
| \$ | |
|----|--|

This amount should be your current account balance.

If you have questions, think your statement is incorrect, or for information regarding Treasury Management Services, please contact your M&T Relationship Manager or the Commercial Service Team at 1-800-724-2240, Monday through Friday, 8am - 6pm ET.

