



October 26, 2020

EFPR Group CPAs, PLLC
6390 Main Street, Suite 200
Williamsville, NY 14221

This representation letter is provided in connection with your audit of the financial statements of King Center Charter School (the School), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (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 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, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 15, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) 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.
- 8) We are in agreement with the adjusting journal entries you have proposed, if any, and they have been posted to the School's accounts.
- 9) We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are not required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims or assessments.
- 10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

- 11) Guarantees, whether written or oral, under which the School is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of financial position date and have been reduced to their estimated net realizable value.
- 13) We have reviewed long-lived assets to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded any necessary adjustment.

Information Provided

- 14) We have provided you with:
 - a) 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.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the School from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 1) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 1) 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.
- 1) We have no knowledge of any fraud or suspected fraud that affects the School and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 1) We have no knowledge of any allegations of fraud or suspected fraud affecting the School's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 1) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 1) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 1) We have disclosed to you the names of all of the School's related parties and all the related-party relationships and transactions, including any side agreements.
- 1) The School has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 1) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 1) King Center Charter School is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 1) In regards to tax return preparation services performed by you, we have:
 - a) Made all management decisions and performed all management functions.
 - b) Designated an individual with suitable skill, knowledge or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.

- d) Accepted responsibility for the results of the services.
- e) Established and maintained internal controls, including monitoring ongoing activities.

Signature: Barbara Lindaman
Title: Director of Finance

KING CENTER CHARTER SCHOOL

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

KING CENTER CHARTER SCHOOL

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	15 - 16

* * * * *

INDEPENDENT AUDITORS' REPORT

The Board of Directors
King Center Charter School:

Report on the Financial Statements

We have audited the accompanying financial statements of King Center Charter School (the School), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 School'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 School'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 King Center Charter School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 26, 2020

KING CENTER CHARTER SCHOOL
 Statements of Financial Position
 June 30, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 4,791,863	4,537,110
Grants and other receivables	262,709	168,390
Prepaid expenses	30,457	12,984
Total current assets	<u>5,085,029</u>	<u>4,718,484</u>
Property and equipment, at cost	4,085,129	3,475,683
Less accumulated depreciation	<u>(883,273)</u>	<u>(701,153)</u>
Net property and equipment	<u>3,201,856</u>	<u>2,774,530</u>
Total assets	<u>\$ 8,286,885</u>	<u>7,493,014</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	39,203	170,699
Accrued expenses:		
Payroll and payroll taxes	328,458	319,803
Pension	<u>377,830</u>	<u>402,582</u>
Total accrued expenses	706,288	722,385
Deferred revenue	60,403	2,363
Capital lease obligation, current portion	<u>95,858</u>	<u>92,216</u>
Total current liabilities	901,752	987,663
Capital lease obligation, less current portion	24,551	120,409
Promissory note - paycheck protection program	<u>920,100</u>	<u>-</u>
Total liabilities	<u>1,846,403</u>	<u>1,108,072</u>
Net assets:		
Without donor restrictions	6,440,482	6,384,442
With donor restrictions	<u>-</u>	<u>500</u>
Total net assets	<u>6,440,482</u>	<u>6,384,942</u>
Contingency (note 8)		
Total liabilities and net assets	<u>\$ 8,286,885</u>	<u>7,493,014</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
 Statements of Activities
 Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in net assets without donor restrictions:		
Revenue:		
Public school districts:		
Resident student enrollment	\$ 5,527,615	5,582,978
Students with disabilities	188,665	203,482
State aid	170,268	120,420
Interest income	3,883	3,814
Other income	3,488	6,373
Net assets released from restrictions	<u>308,371</u>	<u>349,304</u>
Total revenue	<u>6,202,290</u>	<u>6,266,371</u>
Expenses:		
Program services:		
Regular education	4,386,128	4,117,024
Special education	423,802	405,575
Other programs	<u>59,434</u>	<u>52,841</u>
Total program services	4,869,364	4,575,440
Management and general	<u>1,276,886</u>	<u>1,211,884</u>
Total expenses	<u>6,146,250</u>	<u>5,787,324</u>
Change in net assets without donor restrictions	<u>56,040</u>	<u>479,047</u>
Change in net assets with donor restrictions:		
Federal and State grants	307,871	349,304
Contribution	-	500
Net assets released from restrictions	<u>(308,371)</u>	<u>(349,304)</u>
Change in net assets with donor restrictions	<u>(500)</u>	<u>500</u>
Change in net assets	55,540	479,547
Net assets at beginning of year	<u>6,384,942</u>	<u>5,905,395</u>
Net assets at end of year	<u>\$ 6,440,482</u>	<u>6,384,942</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL

Statement of Functional Expenses

Year ended June 30, 2020

with comparative totals for 2019

	No. of positions	Program Services				Management and general	Total	
		Regular education	Special education	Other programs	Total		2020	2019
Salaries:								
Instructional	63	\$ 2,892,758	279,223	-	3,171,981	-	3,171,981	2,988,058
Administrative	16	-	-	-	-	926,985	926,985	877,267
Non-instructional	1	-	-	44,250	44,250	-	44,250	39,096
Total salaries	<u>80</u>	<u>2,892,758</u>	<u>279,223</u>	<u>44,250</u>	<u>3,216,231</u>	<u>926,985</u>	<u>4,143,216</u>	<u>3,904,421</u>
Payroll taxes		232,091	22,403	3,550	258,044	74,373	332,417	312,138
Employee benefits		535,468	51,686	8,191	595,345	171,591	766,936	726,438
Instructional consultants		20,369	-	-	20,369	-	20,369	25,779
Instructional materials		79,782	-	-	79,782	-	79,782	34,567
Classroom supplies		25,771	-	-	25,771	-	25,771	29,170
Field trips		3,096	-	-	3,096	-	3,096	20,524
Transportation		8,759	-	-	8,759	-	8,759	16,718
Student activities		31,823	-	-	31,823	-	31,823	28,321
Student testing and assessment		7,026	-	-	7,026	-	7,026	11,111
Special education services		-	46,388	-	46,388	-	46,388	45,669
Technology		88,848	-	-	88,848	-	88,848	128,713
Staff development		43,877	-	-	43,877	-	43,877	16,712
Dues and subscriptions		4,811	-	-	4,811	-	4,811	4,590
Utilities		37,994	3,799	543	42,336	11,941	54,277	72,900
Insurance		72,538	7,254	1,036	80,828	22,798	103,626	93,120
Office supplies		-	-	-	-	8,851	8,851	6,607
Telephone		7,889	-	-	7,889	-	7,889	2,427
Postage		4,605	-	-	4,605	-	4,605	2,444
Printing and promotion		35,168	-	-	35,168	-	35,168	43,136
Building repair and maintenance		77,524	-	-	77,524	-	77,524	55,765
Contractual services		30,437	-	-	30,437	-	30,437	3,300
Professional fees		-	-	-	-	19,336	19,336	21,073
Miscellaneous		8,385	-	-	8,385	-	8,385	2,949
Depreciation		130,488	13,049	1,864	145,401	41,011	186,412	168,458
Interest expense		6,621	-	-	6,621	-	6,621	10,274
Total expenses		<u>\$ 4,386,128</u>	<u>423,802</u>	<u>59,434</u>	<u>4,869,364</u>	<u>1,276,886</u>	<u>6,146,250</u>	<u>5,787,324</u>

See accompanying notes to financial statements

KING CENTER CHARTER SCHOOL
Statement of Functional Expenses
Year ended June 30, 2019

	No. of positions	Program Services			Total	Management and general	Total
		Regular education	Special education	Other programs			
Salaries:							
Instructional	60	\$ 2,722,266	265,792	-	2,988,058	-	2,988,058
Administrative	15	-	-	-	-	877,267	877,267
Non-instructional	1	-	-	39,096	39,096	-	39,096
Total salaries	<u>76</u>	<u>2,722,266</u>	<u>265,792</u>	<u>39,096</u>	<u>3,027,154</u>	<u>877,267</u>	<u>3,904,421</u>
Payroll taxes		217,631	21,249	3,126	242,006	70,132	312,138
Employee benefits		506,492	49,452	7,274	563,218	163,220	726,438
Instructional consultants		25,779	-	-	25,779	-	25,779
Instructional materials		34,567	-	-	34,567	-	34,567
Classroom supplies		29,170	-	-	29,170	-	29,170
Field trips		20,524	-	-	20,524	-	20,524
Transportation		16,718	-	-	16,718	-	16,718
Student activities		28,321	-	-	28,321	-	28,321
Student testing and assessment		11,111	-	-	11,111	-	11,111
Special education services		-	45,669	-	45,669	-	45,669
Technology		128,713	-	-	128,713	-	128,713
Staff development		16,712	-	-	16,712	-	16,712
Dues and subscriptions		4,590	-	-	4,590	-	4,590
Utilities		51,030	5,103	729	56,862	16,038	72,900
Insurance		65,184	6,518	931	72,633	20,487	93,120
Office supplies		-	-	-	-	6,607	6,607
Telephone		2,427	-	-	2,427	-	2,427
Postage		2,444	-	-	2,444	-	2,444
Printing and promotion		43,136	-	-	43,136	-	43,136
Building repair and maintenance		55,765	-	-	55,765	-	55,765
Contractual services		3,300	-	-	3,300	-	3,300
Professional fees		-	-	-	-	21,073	21,073
Miscellaneous		2,949	-	-	2,949	-	2,949
Depreciation		117,921	11,792	1,685	131,398	37,060	168,458
Interest expense		10,274	-	-	10,274	-	10,274
Total expenses		<u>\$ 4,117,024</u>	<u>405,575</u>	<u>52,841</u>	<u>4,575,440</u>	<u>1,211,884</u>	<u>5,787,324</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
 Statements of Cash Flows
 Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash receipts from:		
Public school districts	\$ 5,878,238	5,926,834
Federal, state and local grants	273,955	280,646
Other sources	5,008	(32,447)
Cash payments to/for:		
Employees for services and benefits	(5,258,666)	(4,845,666)
Vendors and suppliers	<u>(857,928)</u>	<u>(574,819)</u>
Net cash provided by operating activities	<u>40,607</u>	<u>754,548</u>
Cash flows from investing activities - additions to property and equipment	<u>(613,738)</u>	<u>(380,600)</u>
Cash flows from financing activities:		
Payments on capital lease obligation	(92,216)	(88,712)
Proceeds from promissory note	<u>920,100</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>827,884</u>	<u>(88,712)</u>
Net change in cash	254,753	285,236
Cash at beginning of year	<u>4,537,110</u>	<u>4,251,874</u>
Cash at end of year	<u>\$ 4,791,863</u>	<u>4,537,110</u>
Supplemental schedule of cash flow information - disposal of fully depreciated property and equipment	<u>\$ 4,292</u>	<u>-</u>

KING CENTER CHARTER SCHOOL

Notes to Financial Statements

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

King Center Charter School (the School) was chartered by the Board of Regents of the University at the State of New York (the State) on February 1, 2000 for a term of five years pursuant to Article 56 of the New York State Education Law. On January 12, 2018, the State extended the School's Charter through July 31, 2023.

Charter schools receive state and Federal public-school funding and must meet all the same state and Federal testing and learning requirements as public schools, yet they operate independently of the local school district, serving as their own local education agency.

The School is governed by a twelve member, uncompensated Board of Directors and has 420 students in kindergarten through eighth grade. The school offers additional opportunities for enrichment activity including after-school and summer programs.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The 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. Net assets without donor restrictions represent resources available for the general support of the School's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the School.

(d) Estimates

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

(e) Cash

For purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(f) Concentration of Credit Risk

Financial instruments that potentially subject the School to concentration of credit risk consist principally of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Grants and Other Receivables

Grants and other receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(h) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. Generally, property and equipment which has a cost in excess of \$500 at the date of acquisition and has an expected useful life of five years is capitalized.

(i) Long-Lived Assets

The School reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the School compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At June 30, 2020 and 2019, no impairment in value has been recognized.

(j) Public School District Revenue

The School receives per pupil aid which is passed through several school districts. The Buffalo Public School District provides the largest portion of public school district revenue. New York State Education Department mandates the rate per pupil. For the years ended June 30, 2020 and 2019, the per pupil rate was \$13,494 and \$13,350, respectively, for the Buffalo Public School District.

(k) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Donated Equipment, Materials, Supplies and Personnel Services

Donated equipment, materials and supplies are reflected in the financial statements based on the fair market value at the time of donation.

Donated personnel services meeting the requirements for recognition in the financial statements were not material and have not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the School.

(m) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the School. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(n) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program related expenses are allocated by direct allocation of expenses. Management and general and fundraising expenses are allocated based on level of effort.

(o) Subsequent Events

The School has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the School and its future results and financial position is not presently determinable.

(p) Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The School has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The School presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the School has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the School are subject to examination by taxing authorities.

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(q) Recent Accounting Standards Issued

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made." ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. This guidance is effective for fiscal years beginning after December 15, 2018. These financial statements and notes reflect adoption of this new standard.

(2) Liquidity

The School has \$4,979,423 of financial assets available within one year of the statement of financial position date consisting of \$4,716,714 of cash and equivalents and \$262,709 of receivables. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. As more fully described in note 5, the School has a line of credit in the amount of \$200,000 which it could draw upon in the event of an unanticipated liquidity need.

(3) Property and Equipment

Property and equipment are recorded at cost. A summary of property and equipment at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 35,776	35,776
Building	345,828	345,828
Building improvements	3,213,273	2,372,207
Office equipment	47,277	47,277
Instructional equipment	344,547	344,789
Maintenance equipment	10,796	10,796
Construction in progress	52,800	284,178
Vehicles	33,750	33,750
Cafeteria equipment	<u>1,082</u>	<u>1,082</u>
	4,085,129	3,475,683
Less accumulated depreciation	<u>(883,273)</u>	<u>(701,153)</u>
Net property and equipment	\$ <u>3,201,856</u>	<u>2,774,530</u>

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(4) Capital Lease Obligation

The School leases a boiler under a capital lease agreement. This lease obligation and the related equipment was placed into service on October 1, 2016. The following is a summary of equipment under capital lease obligation at June 30, 2020 and 2019. Depreciation expense reported on the statements of functional expenses of \$31,098 for the equipment under capital lease.

	<u>2020</u>	<u>2019</u>
Capital lease obligation	\$ 123,547	222,384
Less amounts representing interest on capital lease obligation	<u>(3,138)</u>	<u>(9,759)</u>
Capital lease obligation, net of interest	120,409	212,625
Less current portion	<u>(95,858)</u>	<u>(92,216)</u>
Capital lease obligation, excluding current portion	\$ <u>24,551</u>	<u>120,409</u>

The related future minimum lease payments as of June 30, 2020 are as follows:

2021	\$ 98,838
2022	<u>24,709</u>
Total minimum lease payments	\$ <u>123,547</u>

(5) Line of Credit

The School has a \$200,000 line of credit with a local bank with interest payable at 1% above the bank's prime rate (4.25% at June 30, 2020). This is a demand note and substantially all of the School's assets secure the loan. At June 30, 2020 and 2019, there was no balance on the line.

(6) Promissory Note - Paycheck Protection Program

On May 3, 2020, the School received a Small Business Administration (SBA) loan under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in the amount of \$920,100 with a 1% interest rate.

The School must pay monthly principal and interest payments on the outstanding principal balance of the loan amortized over the term of the loan, unless otherwise forgiven in whole or part in accordance with the CARES Act as described below, beginning seven months from the month this note is dated until May 3, 2022 (the maturity date) when the entire principal balance remaining unpaid, along with all accrued and unpaid interest, shall be due and payable in full. Payments of principal and interest must be made on such date as designated by the lender in the months they are due.

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(6) Promissory Note - Paycheck Protection Program, Continued

Pursuant to the terms of the CARES Act and any implementing rules and regulations, the School may apply for the loan to be forgiven by the SBA in whole or in part. Any loan balance remaining following forgiveness by the SBA will be fully reamortized over the remaining term of the loan. The entire principal balance remaining unpaid, along with all accrued and unpaid interest, shall be due and payable on the maturity date. If there is a default without notice or demand and without giving up any of its rights, lender may require immediate payment of all amounts owing under this note; collect all amounts owing from any borrower; or file suit and obtain judgment.

(7) Pension Plan

The School participates in the New York State Teachers' Retirement System (NYSTRS), which is a cost-sharing multiple employer, public employees retirement system. NYSTRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

NYSTRS is administered by the New York State Teachers' Retirement Board and provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSTRS is noncontributory, except for employees who joined the System after July 27, 1976 and prior to January 1, 2010, who contribute 3% of their salary, except that employees in NYSTRS more than ten years are no longer required to contribute. Those joining NYSTRS on or after January 1, 2010 are required to contribute 3.5% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School is required to contribute an actuarially determined rate. The rates for NYSTRS were 8.86% and 10.62% of the annual covered payroll as of June 30, 2020 and 2019, respectively. Required annual contributions of \$305,590 and \$331,458 were paid to NYSTRS by the School for the years ended June 30, 2020 and 2019, respectively.

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(8) Defined Contribution Plan

The School sponsors a 401(k) contributory defined contribution plan (the Plan) covering employees who are at least 18 years of age. The employer contribution is calculated based on a pro rata basis of compensation of each eligible participant, but in no event will exceed the lesser of: (a) five percent (5%) of compensation or (b) one-third ($\frac{1}{3}$) of the highest allocation rate for any highly compensated participant for the plan year. The School contributes a percentage of non-instructional employees' salaries to the plan, subject to certain limitations, as determined annually by the Board of Directors. Total expense for the years ended June 30, 2020 and 2019 was \$29,565 and \$24,150, respectively. The School also sponsors a non-contributory tax deferred annuity 403(b) plan. Eligible employees may contribute to the Plan up to the maximum allowed by Internal Revenue Code.

(9) Contingency

The School has received grants which are subject to audit by agencies of the state and Federal government. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the School's administration believes that disallowances, if any will be immaterial.

(10) Escrow Reserve

As set forth in its charter, the School established an escrow reserve in August 2007, in the amount of \$75,000 for the purpose of funding legal and audit fees in the event of dissolution. The amount in escrow was \$75,149 and \$75,088 as of June 30, 2020 and 2019, respectively, and is included in cash in the accompanying statements of financial position.

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

The Board of Directors
King Center 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 King Center Charter School (the School), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated October 26, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether King Center 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
October 26, 2020

REPORT TO THE BOARD

October 26, 2020

The Board of Directors
King Center Charter School

Dear Board Members:

We have audited the financial statements of King Center Charter School (the School) for the year ended June 30, 2020, and have issued our report thereon dated October 26, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in note 1 to the financial statements. For the year ended June 30, 2020, the School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made." ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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

For the year ended June 30, 2020, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Sensitive Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of the contingency in note 9.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no material uncorrected misstatements detected as a result of our audit procedures.

Disagreements with Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Recent Accounting Standards Issued

In February 2016, the FASB issued ASU 2016-02 - "Leases (Topic 842)." ASU 2016-02 modifies the current presentation of operating leases. Currently, operating leases are not recorded on the statements of financial position as obligations, rather there is a footnote disclosure that includes the expected future lease payments for operating leases. This update will now require organizations that lease assets to recognize assets and liabilities on their statements of financial position for operating leases with lease terms of more than 12 months. Operating leases will be required to recognize a right-of-use asset and a lease liability, measured at the present value of the lease payment, recognize a single lease cost, generally allocating the lease over a straight-line basis and classify all cash payments within operating activities of cash flows. These changes will require expanded footnote disclosure to enhance the financial statement user's understanding of the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for fiscal years beginning after December 15, 2021.

* * * * *

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

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC