

NEW VISIONS AIM CHARTER HIGH SCHOOL II

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NEW VISIONS AIM CHARTER HIGH SCHOOL II

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Visions AIM Charter High School II

Report on the Financial Statements

We have audited the accompanying financial statements of New Visions AIM Charter High School II (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 of 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 New Visions AIM Charter High School II 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.

Emphasis of Matter

As further discussed in Note 9 to the financial statements, a global pandemic has been declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The extent and ultimate impact of COVID-19 on the School's operating and financial performance cannot be predicted at this time. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 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.

MBAF CPAs, LLC

New York, NY
October 28, 2020

NEW VISIONS AIM CHARTER HIGH SCHOOL II

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS	2020	2019
Cash	\$ 996,624	\$ 460,455
Cash - restricted	76,420	75,835
Grants receivable	165,309	115,230
Due from related entities	222	501,190
Prepaid expenses and other assets	2,139	22,966
Property and equipment, net	31,307	18,932
	<u>\$ 1,272,021</u>	<u>\$ 1,194,608</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 19,098	\$ 658,637
Accrued salaries and other payroll related expenses	129,829	70,596
Refundable advance from Paycheck Protection Program	146,122	-
Due to NYC Department of Education	70,454	150,980
Due to related entities	98,908	43,024
	<u>464,411</u>	<u>923,237</u>
NET ASSETS		
Net assets - without donor restrictions	<u>807,610</u>	<u>271,371</u>
	<u>\$ 1,272,021</u>	<u>\$ 1,194,608</u>

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

NEW VISIONS AIM CHARTER HIGH SCHOOL II

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
State and local per pupil operating revenue	\$ 4,402,341	\$ 3,193,940
Government grants and contracts	<u>859,876</u>	<u>385,717</u>
	<u>5,262,217</u>	<u>3,579,657</u>
EXPENSES		
Program services	4,178,289	3,871,481
Management and general	<u>588,002</u>	<u>574,265</u>
	<u>4,766,291</u>	<u>4,445,746</u>
INCOME (LOSS) FROM SCHOOL OPERATIONS	495,926	(866,089)
SUPPORT AND OTHER INCOME		
Contributions and other income	35,777	507,275
Interest income	<u>4,536</u>	<u>5,072</u>
	<u>40,313</u>	<u>512,347</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	536,239	(353,742)
NET ASSETS - BEGINNING OF YEAR	<u>271,371</u>	<u>625,113</u>
NET ASSETS - END OF YEAR	<u>\$ 807,610</u>	<u>\$ 271,371</u>

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

NEW VISIONS AIM CHARTER HIGH SCHOOL II

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	No. of Positions	Program Services			Supporting Services	2020
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative staff personnel	17	\$ 487,195	\$ 284,424	\$ 771,619	\$ 430,300	\$ 1,201,919
Instructional personnel	25	956,165	894,332	1,850,497	-	1,850,497
Total salaries and staff	42	1,443,360	1,178,756	2,622,116	430,300	3,052,416
Fringe benefits and payroll taxes		261,266	229,244	490,510	75,715	566,225
Retirement		67,185	54,868	122,053	20,030	142,083
Management company fee		250,065	175,233	425,298	19,684	444,982
Legal services		4,977	3,299	8,276	318	8,594
Accounting and audit services		-	-	-	19,457	19,457
Other purchases of professional and consulting services		71,232	64,614	135,846	8,092	143,938
Repairs and maintenance		7,363	4,744	12,107	372	12,479
Insurance		20,638	14,462	35,100	1,625	36,725
Utilities		22,336	15,945	38,281	3,146	41,427
Instructional supplies and materials		15,594	7,797	23,391	-	23,391
Equipment and furnishings		8,773	4,924	13,697	1,019	14,716
Staff development		3,512	2,691	6,203	603	6,806
Marketing and recruitment		432	942	1,374	-	1,374
Technology		64,810	40,855	105,665	3,640	109,305
Food service		20,168	12,143	32,311	1,005	33,316
Student services		27,833	15,768	43,601	-	43,601
Office expense		22,894	15,127	38,021	2,095	40,116
Depreciation		7,449	5,219	12,668	586	13,254
Other		7,291	4,480	11,771	315	12,086
		\$ 2,327,178	\$ 1,851,111	\$ 4,178,289	\$ 588,002	\$ 4,766,291

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

NEW VISIONS AIM CHARTER HIGH SCHOOL II

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>No. of Positions</u>	<u>Program Services</u>			<u>Supporting Services</u>	<u>2019</u>
		<u>General Education</u>	<u>Special Education</u>	<u>Total</u>	<u>Management and General</u>	
Personnel service costs						
Administrative staff personnel	13	\$ 410,005	\$ 114,415	\$ 524,420	\$ 448,708	\$ 973,128
Instructional personnel	<u>23</u>	<u>1,095,012</u>	<u>375,010</u>	<u>1,470,022</u>	-	<u>1,470,022</u>
Total salaries and staff	36	1,505,017	489,425	1,994,442	448,708	2,443,150
Fringe benefits and payroll taxes		276,129	93,555	369,684	81,458	451,142
Retirement		36,202	11,773	47,975	10,793	58,768
Management company fee		265,302	60,445	325,747	2,919	328,666
Legal services		817	186	1,003	9	1,012
Accounting and audit services		-	-	-	20,822	20,822
Other purchases of professional and consulting services		585,308	131,907	717,215	1,361	718,576
Repairs and maintenance		4,053	923	4,976	699	5,675
Insurance		28,306	6,449	34,755	311	35,066
Utilities		29,465	7,021	36,486	1,482	37,968
Instructional supplies and materials		32,422	7,282	39,704	-	39,704
Equipment and furnishings		9,801	2,252	12,053	1,563	13,616
Staff development		9,268	2,968	12,236	1,120	13,356
Marketing and recruitment		1,059	688	1,747	2	1,749
Technology		80,448	18,201	98,649	687	99,336
Food service		40,554	9,226	49,780	350	50,130
Student services		50,172	11,402	61,574	-	61,574
Office expense		37,868	8,617	46,485	1,911	48,396
Depreciation		3,800	866	4,666	42	4,708
Other		10,047	2,257	12,304	28	12,332
		<u>\$ 3,006,038</u>	<u>\$ 865,443</u>	<u>\$ 3,871,481</u>	<u>\$ 574,265</u>	<u>\$ 4,445,746</u>

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

NEW VISIONS AIM CHARTER HIGH SCHOOL II

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 5,131,612	\$ 3,658,661
Other cash received	40,313	512,347
Cash paid to employees and suppliers	<u>(4,609,542)</u>	<u>(4,341,864)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>562,383</u>	<u>(170,856)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(25,629)</u>	<u>(23,640)</u>
NET INCREASE (DECREASE) IN CASH	536,754	(194,496)
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	<u>536,290</u>	<u>730,786</u>
CASH AND CASH - RESTRICTED - END OF YEAR	<u>\$ 1,073,044</u>	<u>\$ 536,290</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 536,239	\$ (353,742)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,254	4,708
Changes in operating assets and liabilities:		
Grants receivable	(50,079)	57,012
Due from related entities	500,968	(498,710)
Prepaid expenses and other assets	20,827	(19,584)
Accounts payable and accrued expenses	(639,539)	616,865
Accrued salaries and other payroll related expenses	59,233	4,818
Refundable advance from Paycheck Protection Program	146,122	-
Due to NYC Department of Education	(80,526)	21,992
Due to related entities	<u>55,884</u>	<u>(4,215)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 562,383</u>	<u>\$ (170,856)</u>
Cash and cash - restricted consist of:		
Cash	\$ 996,624	\$ 460,455
Cash - restricted	<u>76,420</u>	<u>75,835</u>
	<u>\$ 1,073,044</u>	<u>\$ 536,290</u>

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

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. NATURE OF THE ORGANIZATION

New Visions AIM Charter School II (the "School") is a New York State not-for-profit educational corporation that was incorporated on April 5, 2011 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. The School was granted a provisional charter on April 5, 2011, valid for a term of five years and renewable by the Board of Regents of the University of the State of New York. The School's charter was renewed and restructured for an additional five years, expiring in July 2022.

The School opened its doors in the fall of 2012 in the Bronx with a rigorous academic program and a highly structured and supportive school culture. While the School is comprised of students from many backgrounds, it is uniquely designed to meet the needs of at-risk students who are currently in the foster care and child welfare system.

The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii) of the IRC.

The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, and school safety. Square footage totaling approximately 10,700 feet is allocated to the School.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of the change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions.

At June 30, 2020 and 2019, the School had no net assets with donor restrictions.

Cash – Restricted

Included in cash – restricted is an escrow account of \$76,420 and \$75,835 at June 30, 2020 and 2019, respectively, which is held aside for contingency purposes as required by the Board of Regents.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable represents amounts due from federal and state grants. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amount to \$165,309 and \$115,230 at June 30, 2020 and 2019, respectively. The School has determined that no allowance for uncollectible accounts is necessary at June 30, 2020 and 2019. Such estimate is based on management's assessment of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions.

Revenue Recognition

Revenue from state and local governments resulting from the School's charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not yet been incurred, if any, are reflected as refundable advances from state and local government grants in the accompanying statements of financial position.

Transfers of cash or other cash assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the School fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Unconditional contributions without donor restrictions are recognized as revenue in changes in net assets without donor restrictions when received or promised. Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in change in net assets without donor restrictions.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Premises Provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature and are excess shared space whereby a fair value cannot be determined and is industry practice.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as they occur. The School has established a \$3,000 threshold above which assets are evaluated to be capitalized. The School expenses leasehold improvements because it has no lease and is uncertain that the space will be available beyond the close of the current fiscal year. Removable equipment that can be transferred to new space, if necessary, is capitalized. Depreciation is provided on the straight-line method over the estimated useful lives, which is three years for computer equipment.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2020 and 2019.

Advertising

The School expenses advertising costs as incurred. The School incurred \$1,374 and \$1,749 in advertising costs for the years ended June 30, 2020 and 2019, respectively, which is included in the accompanying statements of functional expenses under marketing and recruitment.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of the proportionate share of instructional and management and general expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 28, 2020, which is the date the financial statements were available to be issued.

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure, and transition.

The School files informational returns in the federal jurisdiction. With few exceptions, the School is no longer subject to federal income tax examinations for fiscal years before 2017.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as interest expense. The School would classify penalties in connection with underpayments of income tax as other expense.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement

Contributions

During the year ended June 30, 2020, the School adopted Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional or not. The adoption of this update had no effect on the School's financial position and change in net assets.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity.

The update is to be applied to the beginning of the year of implementation or retrospectively. In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the update for annual reporting periods beginning after December 15, 2019, and for interim reporting periods beginning after December 15, 2020, with early application permitted. The School has elected the deferral and is currently evaluating the effect the update will have on its financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the School's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The School is evaluating the method of adoption it will elect.

In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2021, and for interim reporting periods beginning after December 15, 2022, with early application permitted. The School has elected the deferral and is currently evaluating the effect the update will have on its financial statements.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The School strives to maintain a cash reserve equal to a minimum of three months of operating expenses, with a target of three to six months. Cash is kept in interest-bearing bank accounts to maximize returns.

The School's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

June 30,	2020	2019
Cash	\$ 996,624	\$ 460,455
Cash - restricted	76,420	75,835
Grants receivable	165,309	115,230
Due from related entities	222	501,190
Total financial assets	<u>1,238,575</u>	<u>1,152,710</u>
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose	<u>(76,420)</u>	<u>(75,835)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,162,155</u>	<u>\$ 1,076,875</u>

At June 30, 2020 and 2019, the School has no board designated net assets.

4. RELATED PARTY TRANSACTIONS

New Visions for Public Schools ("New Visions") is a not-for-profit organization dedicated to supporting public schools and helping start and manage charter schools. Pursuant to the terms of the educational services agreement by and between the School and New Visions beginning in fiscal year 2018, New Visions provides educational management, operational, and fundraising services to the School. As compensation to New Visions for these services rendered, the School pays 10% of all public revenues, defined as per-pupil revenues, received by the School during the year.

The balance due to New Visions from the School at June 30, 2020 and 2019 amounted to \$98,908 and \$43,024, respectively, which is comprised of management fees. Total management fees incurred by the School for the years ended June 30, 2020 and 2019 totaled \$444,982 and \$328,666, respectively.

For operational efficiency and purchasing power, the School also shares expenses with other charter schools related by common management. At June 30, 2020 and 2019, the school did not have a balance due to other charter schools. At June 30, 2020 and 2019, the balance due from other charter schools was \$222 and \$1,190, respectively. During fiscal year 2019, New Visions granted the School \$500,000 to support services that were provided to the School during the year, which is included as due from related entities in the accompanying statements of financial position. The total amount was received during the year ended June 30, 2020.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,:

	2020	2019
Computer equipment	\$ 49,269	\$ 23,640
Less: accumulated depreciation	(17,962)	(4,708)
	<u>\$ 31,307</u>	<u>\$ 18,932</u>

Depreciation expense amounted to \$13,254 and \$4,708 for the years ended June 30, 2020 and 2019, respectively.

6. GRANTS RECEIVABLE

Grants receivable consist of federal and state entitlements and grants. The School expects to collect these receivables within one year. Grants receivable consist of the following as of June 30,:

	2020	2019
Title I	\$ 77,129	\$ 76,100
Title II	7,036	9,111
Title IV	6,039	6,000
NYS Additional Funding	47,478	-
E-Rate Reimbursement	20,347	24,019
Other	7,280	-
	<u>\$ 165,309</u>	<u>\$ 115,230</u>

7. REFUNDABLE ADVANCE FROM PAYCHECK PROTECTION PROGRAM

In April 2020, the School received a Paycheck Protection Program ("PPP") loan of \$694,980 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses, such as utilities, incurred following receipt of the funds. As of June 30, 2020, the School recognized \$548,858 of the amount received as grant revenue based on the qualifying expenditures incurred and barriers to entitlement being met. The School is tracking the qualifying expenditures during the qualifying period and an application for forgiveness of the loan will be made. However, as of the date the financial statements were available to be issued, notice of forgiveness had not been received from the lender. Management believes the School has met the requirements to be forgiven. However, if a portion of the loan must be repaid, the terms (0.98% per annum, repayable over a maximum of two years with a six-month deferral period) are such that the School has sufficient liquidity to repay the unforgiven portion.

At June 30, 2020, the School recorded \$146,122 as a refundable advance from the Paycheck Protection Program for funds received in advance for which qualifying expenditures have not yet been incurred and barriers to entitlement have not been met.

8. PENSION PLAN

The School has adopted the New Visions for Public Schools' pension plan (the "Plan") which is qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. The Plan is an elective contribution plan. Employees are eligible to enroll in the Plan once they have completed at least one full year of service and completion of 1,000 work hours and are also eligible for discretionary employer contributions. The School's contribution becomes fully vested after the sixth year of the employee's service.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. PENSION PLAN (CONTINUED)

Pension expense amounted to \$142,083 and \$58,768, net of forfeitures, for the years ended June 30, 2020 and 2019, respectively, and is included in retirement in the accompanying statements of functional expenses.

9. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The School cannot reasonably estimate the length or severity of this pandemic; however, economic uncertainties have arisen which could have a material adverse effect on the School's financial position, results of operations and cash flows. The School believes they are taking appropriate actions to mitigate the negative impact.

10. COMMITMENTS

The School leases office equipment and copiers under non-cancellable operating leases which will expire at various times during the next two years. The leasing expense for the years ended June 30, 2020 and 2019 was \$17,508 and \$18,935, respectively, which is included in the accompanying statements of functional expenses under office expense. Future minimum lease payments are as follows:

<u>June 30,</u>	
2021	\$ 14,784
2022	<u>7,392</u>
	<u>\$ 22,176</u>

11. CONCENTRATIONS

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.

The School received approximately 83% and 78% of its total revenue from per pupil funding from the NYCDOE for the years ended June 30, 2020 and 2019, respectively.

The School's grants receivable consists of two major grantors accounting for approximately 96% at June 30, 2020 and two major grantors accounting for 100% at June 30, 2019.

Four vendors accounted for approximately 79% and one vendor accounted for approximately 96% of accounts payable at June 30, 2020 and 2019, respectively.



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

To the Board of Trustees
New Visions AIM Charter High School II

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Visions AIM Charter High School II (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 28, 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 the School's financial statements are free of 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 reported to management of the School in a separate letter dated October 28, 2020.

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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.

MBAF CPAs, LLC

New York, NY
October 28, 2020

NEW VISIONS AIM CHARTER HIGH SCHOOL II

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

OCTOBER 28, 2020



October 28, 2020

To the Audit Committee
New Visions AIM Charter High School II

We have audited the financial statements of New Visions AIM Charter High School II (the "School") for the year ended June 30, 2020 and are prepared to issue our report thereon dated October 28, 2020. Professional standards require that we provide you with the following information related to our audit. This letter includes required communications from the auditors to those with audit oversight responsibilities.

REQUIRED COMMUNICATIONS

A. Our Responsibility under U.S. Generally Accepted Auditing Standards:

As stated in our engagement letter dated April 20, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of New Visions AIM Charter High School II. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

B. Planned Scope and Timing of the Audit:

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in April 2020.

C. Auditor Independence:

We affirm that MBAF CPAs, LLC is independent with respect to New Visions AIM Charter High School II.

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D. Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by New Visions AIM Charter High School II are described in Note 2 to the financial statements. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

E. Accounting Estimates Used in the Financial Statements:

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. The most sensitive estimates affecting the financial statements were:

Allowance for Doubtful Accounts:

As of June 30, 2020, New Visions AIM Charter High School II recorded grants receivable of \$165,309. Management concluded that no allowance for doubtful accounts was necessary. Management calculated based on the assessment of the credit-worthiness of the School's grantors, the aged basis of the receivables, as well as economic conditions and historical information. Based on our audit procedures which included a discussion with the Director of Finance and a review of subsequent collections, we concur with management's conclusion.

Functional Statement Allocation:

Management's estimate of the allocation of functional expenses is directly identified with the program or supporting service to which they relate. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

F. Sensitive Disclosures Affecting the Financial Statements:

The disclosures in the financial statements are neutral, consistent, and clear. 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 Risk Management in Note 9 to the financial statements which describes various risks to which the School is exposed.

Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Except as made known to you, management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We will identify those adjustments proposed both corrected and uncorrected:

Proposed and Corrected:

There were no audit adjustments during the current fiscal year or prior fiscal year.

Proposed and Uncorrected:

There were no audit adjustments that were proposed and uncorrected during the fiscal year.

H. Audit Difficulties and Disagreements with Management:

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

I. Management Representations:

We have requested certain representations from management that are included in the management representation letter dated October 28, 2020.

J. 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 auditor's 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.

K. 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.



We wish to thank management and personnel for their support and assistance during our audit. We would be pleased to further discuss the contents of this report with you at your convenience.

This information is intended solely for the use of the Audit Committee, Board of Trustees, and management of New Visions AIM Charter High School II and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

MBAF CPAs, LLC

MBAF CPAs, LLC