

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Visions Charter High School for the Humanities

Report on the Financial Statements

We have audited the accompanying financial statements of New Visions Charter High School for the Humanities (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.

An independent member of Baker Tilly International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Visions Charter High School for the Humanities 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 20, 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 20, 2020

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS	2020	2019
Cash	\$ 5,161,749	\$ 3,421,220
Cash - restricted	76,482	76,094
Grants receivable	716,188	453,756
Due from related entities	6,839	3,867
Prepaid expenses and other assets	29,702	56,508
Property and equipment, net	95,204	33,969
	<u>\$ 6,086,164</u>	<u>\$ 4,045,414</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 44,089	\$ 120,716
Accrued salaries and other payroll related expenses	393,981	321,859
Refundable advance from Paycheck Protection Program	497,065	-
Due to NYC Department of Education	10,218	83,228
Due to related entities	210,433	205,079
	<u>1,155,786</u>	<u>730,882</u>
NET ASSETS		
Net assets - without donor restrictions	4,923,084	3,310,391
Net assets - with donor restrictions	7,294	4,141
	<u>4,930,378</u>	<u>3,314,532</u>
	<u>\$ 6,086,164</u>	<u>\$ 4,045,414</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

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

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
State and local per pupil operating revenue	\$ 10,191,357	\$ 9,280,891
Government grants and contracts	<u>1,711,681</u>	<u>862,653</u>
	<u>11,903,038</u>	<u>10,143,544</u>
EXPENSES		
Program services	9,444,582	8,931,984
Management and general	<u>1,004,359</u>	<u>867,790</u>
	<u>10,448,941</u>	<u>9,799,774</u>
SUPPORT AND OTHER INCOME		
Contributions and other income	133,515	168,197
Interest income	25,081	19,034
Net assets released from restrictions	<u>-</u>	<u>4,965</u>
	<u>158,596</u>	<u>192,196</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,612,693</u>	<u>535,966</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	3,153	784
Net assets released from restrictions	<u>-</u>	<u>(4,965)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>3,153</u>	<u>(4,181)</u>
CHANGE IN NET ASSETS	1,615,846	531,785
NET ASSETS - BEGINNING OF YEAR	<u>3,314,532</u>	<u>2,782,747</u>
NET ASSETS - END OF YEAR	<u>\$ 4,930,378</u>	<u>\$ 3,314,532</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	No. of Positions	Program Services			Supporting Services	2020
		Regular Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative staff personnel	23	\$ 1,037,229	\$ 209,818	\$ 1,247,047	\$ 595,927	\$ 1,842,974
Instructional personnel	55	3,011,078	1,536,219	4,547,297	-	4,547,297
Total salaries and staff	78	4,048,307	1,746,037	5,794,344	595,927	6,390,271
Fringe benefits and payroll taxes		692,306	312,771	1,005,077	115,831	1,120,908
Retirement		247,494	106,745	354,239	36,432	390,671
Management company fee		620,200	163,870	784,070	82,899	866,969
Legal services		1,530	326	1,856	80	1,936
Accounting and audit services		-	-	-	19,250	19,250
Other purchases of professional and consulting services		218,478	62,863	281,341	40,196	321,537
Repairs and maintenance		170,865	43,009	213,874	32,531	246,405
Insurance		39,360	10,400	49,760	5,261	55,021
Utilities		25,585	7,538	33,123	6,324	39,447
Instructional supplies and materials		47,611	11,993	59,604	-	59,604
Equipment and furnishings		37,816	9,157	46,973	20,332	67,305
Staff development		10,484	12,698	23,182	2,104	25,286
Marketing and recruitment		56	10	66	-	66
Technology		139,166	48,868	188,034	18,466	206,500
Food service		79,960	17,659	97,619	5,850	103,469
Student services		261,709	49,705	311,414	-	311,414
Office expense		116,684	28,865	145,549	17,804	163,353
Depreciation		23,762	6,279	30,041	3,176	33,217
Other		19,895	4,521	24,416	1,896	26,312
		\$ 6,801,268	\$ 2,643,314	\$ 9,444,582	\$ 1,004,359	\$ 10,448,941

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	No. of Positions	Program Services			Supporting Services	2019
		Regular Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative staff personnel	24	\$ 945,369	\$ 187,860	\$ 1,133,229	\$ 600,179	\$ 1,733,408
Instructional personnel	55	2,906,139	1,235,905	4,142,044	-	4,142,044
Total salaries and staff	79	3,851,508	1,423,765	5,275,273	600,179	5,875,452
Fringe benefits and payroll taxes		701,576	274,774	976,350	123,232	1,099,582
Retirement		221,510	81,885	303,395	34,518	337,913
Management company fee		653,045	127,847	780,892	30,591	811,483
Legal services		1,791	612	2,403	647	3,050
Accounting and audit services		-	-	-	20,758	20,758
Other purchases of professional and consulting services		222,086	40,335	262,421	6,843	269,264
Repairs and maintenance		124,535	24,325	148,860	7,110	155,970
Insurance		43,886	8,592	52,478	2,056	54,534
Utilities		31,586	6,979	38,565	4,506	43,071
Instructional supplies and materials		98,204	17,827	116,031	-	116,031
Equipment and furnishings		16,367	3,138	19,505	3,853	23,358
Staff development		19,410	12,420	31,830	2,383	34,213
Marketing and recruitment		64	25	89	30	119
Technology		206,626	38,699	245,325	5,569	250,894
Food service		90,403	17,330	107,733	11,142	118,875
Student services		293,715	54,212	347,927	-	347,927
Office expense		129,687	25,289	154,976	11,448	166,424
Depreciation		39,187	7,672	46,859	1,836	48,695
Other		17,719	3,353	21,072	1,089	22,161
		\$ 6,762,905	\$ 2,169,079	\$ 8,931,984	\$ 867,790	\$ 9,799,774

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIESSTATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 11,567,596	\$ 10,343,104
Other cash received	161,749	188,015
Cash paid to employees and suppliers	<u>(9,893,976)</u>	<u>(9,783,737)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,835,369	747,382
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(94,452)</u>	<u>(12,435)</u>
NET INCREASE IN CASH	1,740,917	734,947
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	<u>3,497,314</u>	<u>2,762,367</u>
CASH AND CASH - RESTRICTED - END OF YEAR	<u>\$ 5,238,231</u>	<u>\$ 3,497,314</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,615,846	\$ 531,785
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,217	48,695
Changes in operating assets and liabilities:		
Grants receivable	(262,432)	112,510
Prepaid expenses and other assets	26,806	(44,034)
Due from related entities	(2,972)	25,829
Accounts payable and accrued expenses	(76,627)	65,092
Accrued salaries and other payroll related expenses	72,122	(85,924)
Refundable advance from Paycheck Protection Program	497,065	-
Due from NYC Department of Education	-	3,822
Due to NYC Department of Education	(73,010)	83,228
Due to related entities	<u>5,354</u>	<u>6,379</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,835,369</u>	<u>\$ 747,382</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash and cash - restricted consist of:		
Cash	\$ 5,161,749	\$ 3,421,220
Cash - restricted	<u>76,482</u>	<u>76,094</u>
	<u>\$ 5,238,231</u>	<u>\$ 3,497,314</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. NATURE OF THE ORGANIZATION

New Visions Charter High School for the Humanities (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 14, 2010 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, received a charter from The Charter Schools Institute – State University of New York ("SUNY–CSI") to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved charter application and charter agreement dated November 19, 2010. The School endeavors to extend equally to all students, regardless of their previous academic history, the highest quality education in an atmosphere of respect, responsibility, and safety. The School's charter was renewed for an additional five years, expiring in July 2021.

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.

In fiscal year 2020, the School operated classes for students in ninth through twelfth grade.

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 12,629 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, net assets with donor restrictions of \$7,294 and \$4,141, respectively, are restricted for a scholarship fund.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash – Restricted

Included in cash – restricted is an escrow account of \$76,482 and \$76,094 at June 30, 2020 and 2019, respectively, which is held aside for contingency purposes as required by SUNY–CSI.

Grants Receivable

Grants receivable represent federal and state entitlements and grants. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amounted to \$716,188 and \$453,756 at June 30, 2020 and 2019, respectively. The School has determined that no allowance for uncollectible accounts was 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 and historical information.

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, is excess shared space whereby a fair value cannot be determined and is industry practice.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 as follows:

Furniture and office equipment	3 years
Computer equipment	3 years

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.

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 programs 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 certain 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 20, 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.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

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 filed. 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.

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.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

Lease Accounting (continued)

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.

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	\$ 5,161,749	\$ 3,421,220
Cash - restricted	76,482	76,094
Grants receivable	716,188	453,756
Due from related entities	6,839	3,867
Total financial assets	<u>5,961,258</u>	<u>3,954,937</u>
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose	(76,482)	(76,094)
Restricted by donors with purpose restrictions	<u>(7,294)</u>	<u>(4,141)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,877,482</u>	<u>\$ 3,874,702</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 dated July 22, 2011, New Visions provides educational management, operational, and fundraising services to the School. As compensation to New Visions for these services rendered, the School pays 8% of its gross revenue. Gross revenue is defined as all such funding provided by the State, Federal, and local governments, but excludes any private grant funding awarded to the School.

The balance due to New Visions from the School at June 30, 2020 and 2019 amounted to \$209,948 and \$202,521, respectively, which is comprised of management fees. Total management fees incurred by the School for the years ended June 30, 2020 and 2019 totaled \$866,969 and \$811,483, respectively. The balance due from New Visions to the School at June 30, 2020 amounted to \$3,438. There was no balance due from New Visions to the School at June 30, 2019.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

4. RELATED PARTY TRANSACTIONS (CONTINUED)

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 balance due from other charter schools was \$3,401 and \$3,867, respectively. At June 30, 2020 and 2019, the balance due to other charter schools was \$485 and \$2,558, respectively.

5. PROPERTY AND EQUIPMENT

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

	2020	2019
Computer equipment	\$ 469,440	\$ 378,056
Furniture and fixtures	20,551	17,483
	489,991	395,539
Less: accumulated depreciation	(394,787)	(361,570)
	\$ 95,204	\$ 33,969

Depreciation expense amounted to \$33,217 and \$48,695 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
E-Rate Reimbursement	\$ 33,685	\$ 37,457
Mount Vernon - Per Pupil	271,692	135,399
Yonkers - Per Pupil	68,994	36,676
Title I	192,703	202,845
Title II	20,102	26,611
Title IV	15,088	14,768
NYS Additional Funding	107,501	-
Other	6,423	-
	\$ 716,188	\$ 453,756

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

7. REFUNDABLE ADVANCE FROM PAYCHECK PROTECTION PROGRAM

In April 2020, the School received a Paycheck Protection Program (“PPP”) loan of \$1,562,992 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 \$1,065,927 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 \$497,065 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. Pension expense amounted to \$390,671 and \$337,913, net of forfeitures, for the years ended June 30, 2020 and 2019, respectively, and is included in retirement in the 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 protect itself from such risks.

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

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.

The School’s charter is up for renewal in July 2021. Although the School anticipates that this renewal will be granted by the authorizers, no assurance can be provided that this will occur.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$71,332 and \$66,747, 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	\$ 63,000
2022	<u>52,500</u>
	<u>\$ 115,500</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 82% and 88% 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 consist of two major grantors accounting for approximately 85% at June 30, 2020 and two major grantors accounting for approximately 84% at June 30, 2019.

The School's payables consist of one major vendor accounting for approximately 32% at June 30, 2020 and one major vendor accounting for approximately 10% at June 30, 2019.



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 Charter High School for the Humanities

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 Charter High School for the Humanities (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 20, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as Finding 2020-01.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the School in a separate letter dated October 20, 2020.



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 20, 2020

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness (es) identified?	yes _____	no <u>√</u>
Significant deficiency (ies) identified that are not considered to be material weaknesses?	yes _____	no <u>√</u>
Noncompliance material to financial statements noted?	yes <u>√</u>	no _____

SECTION II – FINANCIAL STATEMENT FINDING

Finding: 2020-01

Criteria and condition: The School is required to be in compliance with the New York State Education Department (“NYSED”) requirements. The teacher certification exemption allows charter schools to have up to 15 uncertified teachers, with the provision that 5 of these teachers are teaching math, science, computer science, technology, or career and technical education. The School had 15 teachers that were uncertified, but only 3 of these teachers are teaching math, science, computer science, technology, or career and technical education.

Context: NYSED requires the School to have no more than 15 uncertified teachers, with the provision that 5 of these teachers are teaching math, science, computer science, technology, or career and technical education, with the remaining 10 teachers not restricted.

Cause: Inadequate management oversight of NYSED requirements.

Effect: The School can be under additional scrutiny from the New York City Department of Education for not being in compliance with the NYSED requiring teachers to be qualified through certification.

Recommendation: We recommend the School review its hiring and recruitment procedures and staff retention policies in order to be in compliance with the NYSED teacher qualification requirements.

SECTION III – VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Finding: 2020-01

We recognize and agree with the finding regarding the noncompliance with teacher certification requirements during fiscal year 2020. New Visions for Public Schools (“New Visions”), which manages the School, consistently monitors the number of uncertified teachers at each New Visions charter school. The number of uncertified teachers is impacted by two factors: 1) the hiring and termination of uncertified teachers, and 2) change in certification status for current teachers. It is often this second factor that causes a school to exceed the 15 teacher limit. When this happens, New Visions will reach out to the teacher whose certification has lapsed in TEACH (the system of record), to encourage them to renew and/or update their status. In an effort to encourage teachers to remain, or become, certified, New Visions has negotiated a pay differential with the United Federation of Teachers in which uncertified teachers are paid less than certified teachers. Additionally, beginning in fiscal year 2019, New Visions’ Charter Residency Program Director has a program to help support certification for uncertified teachers within New Visions’ charter network. As of October 2020, the School had 15 uncertified teachers, 6 of which are teaching math, science, computer science, technology, or career and technical education. Therefore, the School expects to be in compliance with NYSED requirements for fiscal year 2021.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020

FINANCIAL STATEMENT FINDING

Finding No: 2019-01

Condition: The School is required to be in compliance with the New York State Education Department requirements. The teacher certification exemption allows charter schools to have up to 15 uncertified teachers. The School had 19 teachers that were uncertified.

Current Status:

The finding has not been corrected, see Finding No. 2020-01.