

Financial Statements Together with Report of
Independent Certified Public Accountants

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL

June 30, 2017 and 2016

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Children's Aid College Prep Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the Children's Aid College Prep Charter School (the "Charter School") which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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 Charter 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 Charter 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 the Charter School as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other matters

The financial statements of the Children's Aid College Prep Charter School, as of and for the year ended June 30, 2016, were audited by other auditors. Those auditors expressed an unmodified opinion on those 2016 financial statements in their report dated October 25, 2016.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 31, 2017, on our consideration of the Children's Aid College Prep Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Children's Aid College Prep Charter School's internal control over financial reporting and compliance.

Grant Thornton LLP

New York, New York

October 31, 2017

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Statements of Financial Position
As of June 30, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents (Notes 2 and 10)	\$ 3,038,709	\$ 1,904,320
Government grants receivable (Notes 2 and 3)	144,974	181,899
Pledges receivable (Notes 2 and 4)	100,000	200,000
Prepaid expenses and other assets	<u>2,947</u>	<u>3,222</u>
Total current assets	3,286,630	2,289,441
Property and equipment, net (Notes 2 and 5)	<u>80,214</u>	<u>100,886</u>
Total assets	<u>\$ 3,366,844</u>	<u>\$ 2,390,327</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 96,077	\$ 87,242
Accrued payroll and benefits	875,635	562,928
Deferred revenue	5,056	2,433
Due to related party (Notes 8 and 11)	<u>617,966</u>	<u>208,814</u>
Total current liabilities	<u>1,594,734</u>	<u>861,417</u>
Commitments and contingencies (Note 9)		
NET ASSETS		
Unrestricted	1,572,110	1,278,910
Temporarily restricted (Note 6)	<u>200,000</u>	<u>250,000</u>
Total net assets	<u>1,772,110</u>	<u>1,528,910</u>
Total liabilities and net assets	<u>\$ 3,366,844</u>	<u>\$ 2,390,327</u>

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

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Statement of Activities
For the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT			
Public school district (Notes 2 and 10)			
Resident student enrollment	\$ 5,970,943	\$ -	\$ 5,970,943
Students with disabilities	523,933	-	523,933
Grants and contracts (Notes 2 and 10)			
State and local	65,613	-	65,613
Federal - Title 1 and IDEA	221,869	-	221,869
Support			
Contributed space	800,000	-	800,000
Net assets released from restrictions	50,000	(50,000)	-
Other	22,060	-	22,060
Total operating revenue and support	<u>7,654,418</u>	<u>(50,000)</u>	<u>7,604,418</u>
OPERATING EXPENSES			
Program services			
Regular education	6,633,742	-	6,633,742
Special education	428,578	-	428,578
Total program services	<u>7,062,320</u>	<u>-</u>	<u>7,062,320</u>
Supporting services			
Management and general	491,859	-	491,859
Fundraising	11,276	-	11,276
Total supporting services	<u>503,135</u>	<u>-</u>	<u>503,135</u>
Total operating expenses	<u>7,565,455</u>	<u>-</u>	<u>7,565,455</u>
Surplus from school operations	<u>88,963</u>	<u>(50,000)</u>	<u>38,963</u>
OTHER REVENUE			
Contributions (Notes 2 and 11)	51,487	-	51,487
Contributions passed-through Children's Aid Society (Notes 2 and 11)	152,750	-	152,750
Total other revenue	<u>204,237</u>	<u>-</u>	<u>204,237</u>
Changes in net assets	293,200	(50,000)	243,200
Net assets - beginning of the year	<u>1,278,910</u>	<u>250,000</u>	<u>1,528,910</u>
Net assets - end of the year	<u>\$ 1,572,110</u>	<u>\$ 200,000</u>	<u>\$ 1,772,110</u>

The accompanying notes are an integral part of this financial statement.

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Statement of Activities
For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT			
Public school district (Notes 2 and 10)			
Resident student enrollment	\$ 4,172,814	\$ -	\$ 4,172,814
Students with disabilities	751,656	-	751,656
Grants and contracts (Notes 2 and 10)			
Federal - Title 1 and IDEA	225,766	-	225,766
Support			
Contributed space	866,775	-	866,775
Other	22,291	-	22,291
Total operating revenue and support	<u>6,039,302</u>	<u>-</u>	<u>6,039,302</u>
OPERATING EXPENSES			
Program services			
Regular education	4,555,970	-	4,555,970
Special education	638,608	-	638,608
Total program services	<u>5,194,578</u>	<u>-</u>	<u>5,194,578</u>
Supporting services			
Management and general	486,103	-	486,103
Fundraising	44,949	-	44,949
Total supporting services	<u>531,052</u>	<u>-</u>	<u>531,052</u>
Total operating expenses	<u>5,725,630</u>	<u>-</u>	<u>5,725,630</u>
Surplus from school operations	<u>313,672</u>	<u>-</u>	<u>313,672</u>
OTHER REVENUE			
Contributions (Notes 2 and 11)	87,316	-	87,316
Contributions passed-through Children's Aid Society (Notes 2 and 11)	127,947	250,000	377,947
Total other revenue	<u>215,263</u>	<u>250,000</u>	<u>465,263</u>
Changes in net assets	528,935	250,000	778,935
Net assets - beginning of the year	749,975	-	749,975
Net assets - end of the year	<u>\$ 1,278,910</u>	<u>\$ 250,000</u>	<u>\$ 1,528,910</u>

The accompanying notes are an integral part of this financial statement.

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Statement of Functional Expenses
For the year ended June 30, 2017

	Program Services			Supporting Services			Total 2017
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 3,254,578	\$ 297,650	\$ 3,552,228	\$ -	\$ 8,563	\$ 8,563	\$ 3,560,791
Fringe benefits and payroll taxes	860,988	96,924	957,912	-	2,193	2,193	960,105
Retirement	29,344	4,763	34,107	-	77	77	34,184
Management company fees - contracted services (Note 11)	593,674	18,484	612,158	454,707	-	454,707	1,066,865
Legal service	-	-	-	13,515	-	13,515	13,515
Accounting/audit services	-	-	-	18,003	-	18,003	18,003
Other purchased/professional/consulting services	130,758	407	131,165	-	-	-	131,165
Building and land rent/lease	1,000,004	-	1,000,004	-	-	-	1,000,004
Repairs and maintenance	109,098	-	109,098	-	-	-	109,098
Insurance	61,695	-	61,695	-	-	-	61,695
Utilities	31,546	-	31,546	349	-	349	31,895
Supplies/materials	253,946	-	253,946	1,181	-	1,181	255,127
Equipment/furnishings	18,963	-	18,963	-	-	-	18,963
Staff development	88,906	-	88,906	510	-	510	89,416
Marketing/recruitment	9,349	-	9,349	-	-	-	9,349
Technology	32,708	-	32,708	272	-	272	32,980
Food service	59,932	-	59,932	1,713	-	1,713	61,645
Student services	34,784	-	34,784	600	-	600	35,384
Office expense	8,569	-	8,569	445	-	445	9,014
Depreciation and amortization	48,648	-	48,648	-	-	-	48,648
Other	6,252	10,350	16,602	564	443	1,007	17,609
Total expenses	<u>\$ 6,633,742</u>	<u>\$ 428,578</u>	<u>\$ 7,062,320</u>	<u>\$ 491,859</u>	<u>\$ 11,276</u>	<u>\$ 503,135</u>	<u>\$ 7,565,455</u>

The accompanying notes are an integral part of this financial statement.

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Statement of Functional Expenses
For the year ended June 30, 2016

	Program Services			Supporting Services			Total 2016
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,083,890	\$ 323,761	\$ 2,407,651	\$ -	\$ 35,193	\$ 35,193	\$ 2,442,844
Fringe benefits and payroll taxes	549,542	76,411	625,953	-	9,174	9,174	635,127
Retirement	13,737	2,416	16,153	-	-	-	16,153
Management company fees - contracted services (Note 11)	283,891	191,193	475,084	461,017	-	461,017	936,101
Legal service	-	-	-	4,913	-	4,913	4,913
Accounting/audit services	-	-	-	15,997	-	15,997	15,997
Other purchased/professional/consulting services	256,255	7,094	263,349	-	-	-	263,349
Building and land rent/lease	866,775	-	866,775	-	-	-	866,775
Repairs and maintenance	69,285	-	69,285	-	-	-	69,285
Insurance	22,195	-	22,195	-	-	-	22,195
Utilities	19,137	-	19,137	-	-	-	19,137
Supplies/materials	158,826	37,733	196,559	1,151	-	1,151	197,710
Equipment/furnishings	65,569	-	65,569	-	-	-	65,569
Staff development	24,829	-	24,829	1,862	-	1,862	26,691
Marketing/recruitment	5,679	-	5,679	-	-	-	5,679
Technology	33,483	-	33,483	120	-	120	33,603
Food service	23,043	-	23,043	646	-	646	23,689
Student services	21,858	-	21,858	-	-	-	21,858
Office expense	4,690	-	4,690	225	-	225	4,915
Depreciation and amortization	48,758	-	48,758	-	-	-	48,758
Other	4,528	-	4,528	172	582	754	5,282
Total expenses	<u>\$ 4,555,970</u>	<u>\$ 638,608</u>	<u>\$ 5,194,578</u>	<u>\$ 486,103</u>	<u>\$ 44,949</u>	<u>\$ 531,052</u>	<u>\$ 5,725,630</u>

The accompanying notes are an integral part of this financial statement.

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Statements of Cash Flows
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 243,200	\$ 778,935
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	48,648	48,758
Changes in operating assets and liabilities		
Decrease (increase) in assets		
Government grants receivable	36,925	143,994
Pledges receivable	100,000	(200,000)
Prepaid expenses and other assets	275	39,882
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	8,835	(161,392)
Accrued payroll and benefits	312,707	92,307
Due to related party	409,152	(131,051)
Deferred revenue	2,623	(4,861)
Net cash provided by operating activities	<u>1,162,365</u>	<u>606,572</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(27,976)</u>	<u>-</u>
Net cash used in investing activities	<u>(27,976)</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>1,134,389</u>	<u>606,572</u>
Cash and cash equivalents, beginning of the year	<u>1,904,320</u>	<u>1,297,748</u>
Cash and cash equivalents, end of the year	<u>\$ 3,038,709</u>	<u>\$ 1,904,320</u>

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

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL

Notes to Financial Statements

June 30, 2017 and 2016

1. DESCRIPTION OF THE ORGANIZATION

Children's Aid College Prep Charter School (the "Charter School") is an educational corporation formed to operate a charter school located in the City of New York, County of the Bronx. On September 13, 2011, the Board of Regents of the University of the State of New York, for and on behalf of the State Education Department, granted a provisional charter ("Charter Agreement"), incorporating the Charter School. This agreement was renewed on May 24, 2017 and is valid until July 31, 2022.

The Charter School's mission is to ensure that children achieve academic success by providing them with the best instructional practices, advancing their physical, emotional, and social needs, fostering a sense of pride and hope, and serving as a safe and engaging community hub. The Charter School serves over 300 scholars, including students enrolled in kindergarten through fifth-grade and prioritizes students who are English language learners, at-risk of academic failure and/or currently involved in the child welfare system. The Charter School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code and is classified as an organization described in Section 501(c)(3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis and conform to accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to not-for-profit organizations. In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

Financial Statement Presentation

The classification of the Charter School's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets (permanently restricted, temporarily restricted and unrestricted) be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations and/or the net assets which the Board of Trustees has to use in carrying on the operations the Charter School.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations.

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. There were no permanently restricted net assets as of June 30, 2017 and 2016, respectively.

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Notes to Financial Statements
June 30, 2017 and 2016

Cash and Cash Equivalents

Cash equivalents include all highly liquid instruments purchased with original maturities of 90 days or less.

Contributions/Pledges Receivable

Contributions and bequests received are recorded at fair value as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor-imposed restrictions, and are recognized in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give are not included as support until such time as the conditions on which they depend are substantially met.

Government Support

Revenue from state and local governments resulting from the Charter School's charter status and based on the number of students enrolled 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 Charter School when qualifying expenditures are incurred and billable.

Allowance for Uncollectible Receivables

An allowance is recorded based on prior years' collection experience and management's analysis and evaluation of specific promises received. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. The Charter School determined that no allowance for doubtful accounts was necessary as of June 30, 2017 and 2016. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions and creditworthiness of its donors and grantors.

Property and Equipment

The Charter School capitalizes expenditures for buildings and building improvements, furniture and equipment having a cost of \$5,000 or more and with useful lives greater than one year. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets. Amortization of leasehold improvements is charged at the lesser of the life of the improvements or the term of the lease to which the betterments pertain.

The range of estimated useful lives follows:

Furniture and equipment	5 -10 years
Leasehold improvements	Lesser of life of lease or economic life

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Notes to Financial Statements
June 30, 2017 and 2016

Impairment of Long-Lived Assets to be Disposed of

ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets," provides a single accounting model for long-lived assets to be disposed of. Accounting Standards Codification ("ASC") 360-10 also changes the criteria for classifying an asset as held for sale, and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with ASC 360-10, long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. There were no impairment charges for the years ended June 30, 2017 and 2016.

Revenue Recognition

The Charter School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to unrestricted net assets. Unconditional promises to give with payments due in future years are presumed to be time restricted by the donor until received and are reported as part of temporarily restricted net assets.

The Charter School recognizes gifts of land, buildings and equipment at fair value on the date of gift. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long such long-lived assets must be maintained, the Charter School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

During the years ended June 30, 2017 and 2016, the Charter School received contributed supplies of \$20,687 and \$21,031, respectively.

The Charter School also receives grants from foundations in exchange for the performance of various services. The Charter School recognizes grants as temporarily restricted revenue when they are committed and releases such amounts into unrestricted net assets as related grant expenses are incurred to a maximum of the grant award.

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Notes to Financial Statements
June 30, 2017 and 2016

The Charter School recognizes revenue from donor list rentals, conference fees and rental income, when earned.

Measure of Operations

The Charter School includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, except for contributions.

Donated Services

The fair value of voluntary donated services are reported in the financial statements if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not otherwise provided by donation.

Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based time and effort.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues, expenses and disclosures in the financial statements. Actual results could differ from those estimates.

Income Taxes

The Charter School follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Charter School is exempt from federal income tax under Internal Revenue Code (“Code”) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Charter School has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Charter School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements for the year ended June 30, 2017.

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
Notes to Financial Statements
June 30, 2017 and 2016

3. GOVERNMENT GRANTS RECEIVABLE

Grants and contract receivables consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Due from the City of New York	\$ 9,015	\$ 39,148
Due from Federal sources	<u>135,959</u>	<u>142,751</u>
	<u>\$ 144,974</u>	<u>\$ 181,899</u>

4. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2017 in the amount of \$100,000 are due within one year. The pledges receivable as of June 30, 2016, in the amount of \$200,000, are expected to be collected over the next two years in installments of \$100,000.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 282,237	\$ 254,262
Leasehold improvements	<u>57,569</u>	<u>57,569</u>
	339,806	311,831
Less: accumulated depreciation and amortization	<u>(259,592)</u>	<u>(210,945)</u>
	<u>\$ 80,214</u>	<u>\$ 100,886</u>

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 amounted to \$48,648 and \$48,758, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS

The Charter School's temporarily restricted net assets as of June 30, 2017 and 2016 consist of \$200,000 and \$250,000 for life coaching.

7. RETIREMENT PLAN

Effective August 1, 2014, the Charter School sponsors a defined contribution retirement plan covering eligible employees. Pursuant to the plan, all employees can contribute up to the maximum allowed by law, and for eligible employees, the Charter School may make matching contributions equal to a discretionary percentage, to be determined by the Charter School. Eligible employees are all employees who have

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Notes to Financial Statements
June 30, 2017 and 2016

attained the age of at least 21 years of age, continuously employed for at least one full year and working a schedule of at least 1,000 hours per year. Employees become fully vested in the Charter School’s contributions to the plan on their behalf upon three years of service. Total retirement plan expense for the years ended June 30, 2017 and 2016, amounted to \$34,184 and \$16,153, respectively.

8. SCHOOL FACILITY

In fiscal 2017, the Charter School operated in two locations, one of which was provided by the Department of Education (“DOE”). As part of the New York City Chancellor’s Charter School Initiative, New York City Department of Education has committed space to the Charter School at no charge. The facilities and services provided by the DOE to the Charter School are outlined in a Shared Facility Use Agreement. During fiscal 2017, the Charter School quantified and recognized the fair value of the contributed space it receives for its instructional purposes, totaling \$800,000, and recognized it as a component of contributed services revenue and allocated the related expense amongst the functional expense categories benefitted in its 2017 statements of activities and functional expenses. A similar process to recognize the value of this contributed space was not followed in prior years. Accordingly, management decided to determine the fair value of contributed space received during fiscal 2016 and has adjusted the accompanying 2016 financial statements, as previously presented, to recognize both the contributed revenue and expense in the amount of \$866,775.

9. COMMITMENTS AND CONTINGENCIES

The Charter School is obligated under several operating leases for rentals of office space and equipment that expire at various dates through 2022. The minimum annual rental payments under noncancellable operating leases are as follows:

June 30,	
2018	\$ 125,265
2019	12,970
2020	4,053
2021	3,373
2022	<u>562</u>
	<u>\$ 146,223</u>

Rental expense under the operating leases described above for the years ended June 30, 2017 and 2016 totaled approximately \$200,000 and \$0, respectively.

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowances of certain costs previously submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements.

10. CONCENTRATIONS

The Charter School receives a majority of its revenues from the New York State Education Department through the DOE Office of Charter Schools. The DOE provides general operating support to the Charter

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
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June 30, 2017 and 2016

School based upon the location and the number of students enrolled. For the years ended June 30, 2017 and 2016, such operating support provided to the Charter School by the DOE totaled \$6,494,876 and \$4,924,470, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

Cash accounts that potentially subject the Charter School to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2017 and 2016, there was approximately \$2,789,000 and \$1,658,000, respectively, of cash and cash equivalents held by a bank that exceeded FDIC limits.

11. RELATED-PARTY TRANSACTIONS

The Charter School and The Children's Aid Society ("CAS"), a not-for-profit organization, are related through certain Board commonality. CAS provides administrative support services and other enrichment programs and services to the students of the Charter School ("wrap-around services") under an agreement between the two entities. The Charter School pays an administrative fee equal to 10.6% of total operating expenses, excluding rent and depreciation, to CAS for the administrative services, which amounted to \$454,707 and \$461,017 for the years ended June 30, 2017 and 2016, respectively. In addition, the Charter School was charged a fee for wrap-around and other services totaling to \$612,158 and \$475,084 for the years ended June 30, 2017 and 2016, respectively.

CAS routinely receives contributions from private donors that are earmarked for the Charter School. These contributions are recorded as contribution revenue passed through by CAS to the Charter School. The Charter School received \$152,750 and \$377,947 of contributions passed through from the Children's Aid Society for the years ended June 30, 2017 and 2016, respectively.

The Charter School is indebted to CAS \$617,966 and \$208,814 as of June 30, 2017 and 2016, respectively.

12. SUBSEQUENT EVENTS

Management has performed subsequent events procedures through October 31, 2017, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
Children’s Aid College Prep Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Children’s Aid College Prep Charter School (the “Charter School”), which comprise the statement of financial position as of June 30, 2017 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 31, 2017.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Charter School’s internal control over financial reporting (“internal control”) to design 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter 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 the Charter School's 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 Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

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 Charter 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 Charter School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

New York, New York
October 31, 2017