

ELM COMMUNITY  
CHARTER SCHOOL

Audited Financial Statements In Accordance  
With Government Accounting Standards

June 30, 2020

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## Independent Auditor's Report

To the Board of Trustees of  
Elm Community Charter School

### Report on the Financial Statements

We have audited the accounting records ("Records"), which comprise the statement of financial position, 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 records 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, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards of the American Institute of Certified Public Accountants ("AICPA") 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 that the financial statements are free from material misstatement.

An audit involves examining and testing records and disclosures in the financial statements, including the assessment of the risks of material misstatement due to fraud or error. In making our assessment, we consider information relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. Our audit also includes evaluating the 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 for our audit opinion.

## Opinion

In our opinion, the financial position of Elm Community Charter Schools as of June 30, 2020, and the changes in its net assets and its cash flows for the year ended June 30, 2020, are presented in accordance with the accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the financial statements of Elm Community Charter Schools for the year ended June 30, 2019, and we issued an unmodified audit opinion on those audited financial statements in our report dated October 24, 2019. In our opinion, the summarized comparative information presented in the financial statements for the year ended June 30, 2019 is consistent, in all material aspects, with the audited financial statements from which it has been derived.

## Other Reporting Requirements of the Government Auditing Standards

In accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we have performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other external controls, and we have issued an opinion on the effectiveness of the School's internal control system for financial reporting purposes. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is intended to be read in conjunction with this report.

Schall & Ashenfarber  
Certified Public Accountants, LLC

October 15, 2020



**ELM COMMUNITY QUARTERS SURVEILLANCE**  
**STATE OF NEW YORK**  
**AS OF JUNE 30, 2020**  
 (With comparative totals for June 30, 2019)

Assets	<u>6/30/2020</u>	<u>6/30/2019</u>
Cash and cash equivalents	\$1,762,947	\$707,867
Grants receivable		
Prepaid expenses and other		
Security deposit		
Restricted cash (Note 7)		
<b>Total assets</b>	<b><u>\$1,762,947</u></b>	<b><u>\$707,867</u></b>

**Liabilities and Net Assets**

**Liabilities:**

Accounts payable	\$209,187	\$158,188
Grant advance - New York City (Note 5)	664	7,141
Paycheck Protection Program	20,000	20,000
Loan payable (Note 7)	20,000	20,000
<b>Total liabilities</b>	<b><u>\$249,851</u></b>	<b><u>\$205,329</u></b>

**Net assets:**

Without donor restrictions	1,169,531	408,772
<b>Total liabilities and net assets</b>	<b><u>\$1,762,947</u></b>	<b><u>\$707,867</u></b>

The attached notes

**ELM COMMUNITY CHARTER SCHOOL**

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED**

(With components of the Statement of Financial Position for the year ended 6/30/2020)

6/30/2020 6/30/2019

With:

Public support and revenue:

Public school district: (Note 5)

Revenue from public school district	\$3,058,364	
Revenue from other government	915,776	
Other income	7,800	
<b>Total public support and revenue</b>	<b>3,981,940</b>	<b>3,974,140</b>

Expenses:

Program services:

Regular education	2,440,549	1,883,869
Special education	464,864	385,850
<b>Total program services</b>	<b>2,905,413</b>	<b>2,269,719</b>

Supporting services:

Management and administration	527,406	382,776
Fundraising	0	1,450
<b>Total supporting services</b>	<b>527,406</b>	<b>384,226</b>
<b>Total expenses</b>	<b>3,432,819</b>	<b>2,653,945</b>

Change in:

Net assets - beginning of period	1,408,772	0
Net assets - end of period	<b>2,981,940</b>	<b>2,653,945</b>

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

**ELM COMMUNITY CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

(With comparative totals for 2019)

	Program Services			Supporting Services		Total Expenses
	Regular	Special	Total Program	Management and	Total Expenses	
Salaries	\$1,168,562	\$222,581	\$1,391,143	\$164,302	\$1,555,445	1,235,946
Payroll taxes and benefits	236,257	45,350	281,607	33,261	314,868	251,347
Total personnel costs	1,404,819	267,931	1,672,750	197,563	1,870,313	1,487,293
Professional fees	88,000	16,040	104,040	360,654	360,654	375,400
Curriculum and development	48,115	8,165	56,280		56,280	152,577
Facilities expense	625,374	119,119	744,493		744,493	1,119,924
Office expenses	15,771	3,004	18,775	45,081	63,856	48,801
Professional development	129,226	24,615	153,841		153,841	50,392,118
Insurance	21,175	5,938	27,113	6,530	33,643	22,259
Recruitment	33,010	6,288	39,298		39,298	61,160
Other expenses	3,600	686	4,286	7,535	11,821	10,972
Depreciation	60,013	11,431	71,444		71,444	43,449
Total expenses	\$2,440,549	\$464,864	\$2,905,413	\$517,406	\$3,422,819	\$2,652,498

The attached financial statements and auditor's report are integral parts of these financial statements.

**ELM COMMUNITY CHARTER SCHOOL  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2020**

(With comparative totals for the period ended June 30, 2019)

	<u>6/30/2020</u>	<u>6/30/2019</u>
Cash flows from operating activities:		
Change in net assets	\$760,750	\$400,734
Adjustments to reconcile change in net assets to cash provided:		
Depreciation	71,444	45,410
Changes in assets and liabilities:		
Prepaid expenses		
Security deposits	(35,000)	
Accounts payable and accrued expenses	21,000	20,120
Government grants		(29,834)
Government program loan		29,534
Paycheck Protection Program loan	318,625	0
Total adjustments	375,069	(94,927)
Net cash flow from operating activities	<u>1,135,819</u>	<u>305,807</u>
Cash flows from investing activities:		
Purchases		
Net cash flows used for investing		
Cash flows from financing activities:		
Loan proceeds		120,000
Loan repayment	(40,000)	(10,000)
Net cash flows (used for)/provided by financing activities	<u>(40,000)</u>	<u>110,000</u>
Net increase in cash, cash equivalents, and restricted cash		
Cash, cash equivalents, and restricted cash - beginning of period	245,722	0
Cash, cash equivalents, and restricted cash - end of period	<u>\$840,909</u>	<u>\$245,722</u>
Reconciliation to Statement of Financial Position:		
Cash and cash equivalents	\$790,909	\$220,722
Restricted cash (Note 3)	50,000	25,000
Total	<u>\$840,909</u>	<u>\$245,722</u>
Supplemental disclosures:		
Interest paid	<u>\$3,900</u>	<u>\$0</u>
Taxes paid	<u>\$0</u>	<u>\$0</u>

The attached notes and auditor's report are an integral part of these financial statements.



# ELM COMMUNITY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

### Note 1 - Organization

Elm Community Charter School, "Elm" School, located in Hills, N.Y., New York, is a not-for-profit educational organization chartered by the Board of Regents of the University of the State of New York. The School is authorized by the State Charter Schools Institute. The School provides educational services to students in grades K-5, including elementary school. The School aims to foster an interdisciplinary and collaborative learning environment focused on cultural and civic engagement.

The School completed its 2020 fiscal year with an average enrollment of approximately 190 students. The School is a not-for-profit organization which is independent of the State of New York Department of Education (NYCDOE). On July 14, 2017, the School was granted a charter for a term ending on July 31, 2023. The summarized comparative information reflects activity from inception to the end of the fiscal year.

The School has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The School has not established a private foundation.

### Note 2 - Summary of Significant Accounting Policies

#### a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective July 1, 2019, the School adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU collectively, "Topic 606". This provides the framework for recognizing revenue by identifying performance obligations, determining the timing of recognizing revenue, and recognizing revenue when performance obligations are satisfied.

Also, effective July 1, 2019, the School adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("Topic 606"). Key provisions of this guidance require that an exchange of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or which is non-reciprocal. If the exchange is not an exchange transaction, the resource provider is not required to recognize the contribution.



applies guidance under Topic 606. If the transaction is reciprocal, it is treated as a contribution under Topic 605.

For contributions, the School evaluates whether they are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the School to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

An analysis of the various assumptions of both of the above resulted in no significant changes in the way the School recognizes revenue.

b. Basis of Presentation

Net assets are classified based upon the existence or absence of donor-imposed restrictions.

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors to their use.
- *Net Assets With Donor Restrictions* – represents those resources the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release results from the satisfaction of the restricted purposes specified by the donor. The School did not have any net assets with donor restrictions as of June 30, 2020 or June 30, 2019.

c. Revenue Recognition

Contributions are recognized when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when the contractual restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified. If donor-imposed restrictions are satisfied in the same period they were received, they are classified as without donor restrictions.

The School's public and district revenue is primarily conditional, non-exchange revenue. Revenue from these transactions is recognized based on rate schedules, as well as other conditions under the agreements are met. The difference between cash received and revenue recognized is reflected as government grants receivable or refundable.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Pledges are reviewed for collectability. Based on knowledge of specific donors and the School's historical experience, no allowance for doubtful accounts exists as of June 30, 2020 or June 30, 2019. Contributions made directly to operations in the reporting period are receivable and need not be recorded.

- d. Cash and Cash Equivalents  
 The School considers all liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents. Restricted cash has been classified separately.
- e. Concentration of Credit  
 Financial instruments, which have credit risk, consist of cash accounts which have been placed with financial institutions that management deems to be creditworthy. Management does not intend to exceed federally insured limits. While at year-end the School had uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

Capitalization  
 Computer hardware, furniture, equipment, and related software are capitalized at cost or at the fair value at the date of gift, if donated. The School capitalizes fixed assets in excess of \$500. Depreciation was computed over the useful life of the respective assets.

Computer hardware - 5 years  
 Furniture and fixtures - 5 years  
 Leasehold improvements - Life of lease

- g. Donated Services  
 Donated services are recognized in the financial statements if the services enhance the non-financial assets or require specialized skills are provided by individuals possessing those skills and would typically need to be purchased, if not provided. In-kind board members and other individuals volunteer their time and perform a variety of tasks that assist the School. The criteria outlined above have not been met and are not included in the financial statements.

- h. Functional Basis  
 The costs of programs are allocated on a functional basis in the financial statements. Such allocations are determined by management on an equitable basis.

Salaries were allocated using time spent on each program. Salaries were allocated using the salary allocation method.

- Payroll taxes and employee benefits
- Insurance

Certain program expenses have been allocated directly to the applicable program or support service.



i. Use of Estimates

The preparation of financial statements in conformity with generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent 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.

j. Contingencies

Government contracts are subject to audit by the Government Accountability Office. We believe that any audits, if they were to occur, would not result in material disallowed costs, and we have not established any reserves. Any disallowed costs would be recognized in the period notified.

k. Accounting for Uncertainty in Income Taxes

The School does not have any uncertain tax positions as of June 30, 2019, and later are subject to examination by applicable taxing authorities.

l. Comparative Financial Information

The financial statements include certain prior year summarized comparative information by the School for the year ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

m. New Accounting Pronouncement

FASB issued ASU No. 2017-01, "Clarifying the Definition of a Lease," which is effective for the June 30, 2019 year, requires the recognition of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

Entities for Contributed Nonfinancial Assets, which is effective for the June 30, 2019 year, requires enhanced transparency in the reporting of contributed nonfinancial assets, and requires a separate line item presentation on the statement of activities and additional disclosures.

The School is in compliance with the requirements of these standards.

**Note 3 - Restricted Assets**

An escrow account has been established to meet the requirement of the Board of Regents of the State of New York that funds are available for an orderly dissolution or termination of the charter or school closure.



**Note 4 - Fixed Assets**

Fixed assets consist of the following:

	6/30/19	6/30/19
Furniture, fixtures and equipment	798	\$178
Leasehold improvements	22,235	0
	339,823	178,173
Less: accumulated depreciation	(116,893)	(45,449)
Total	\$222,930	132,724

**Note 5 - Grant Advance - New York City Department of Education**

Activity related to the grant advance with the NYCDOE can be summarized as follows:

	6/30/19	6/30/19
Beginning grant advance	0	0
Per pupil funding:		
Funding based on full FTE	\$2,257,642	\$1,508,560
Advances received	(1,621,100)	(1,605,783)
Ending grant advance	(\$363,458)	(\$97,223)

**Note 6 - Payable to the State**

During the year ended 6/30/19, the School District has received a loan from the Paycheck Protection Program. The loan is for \$1,605,783. The loan is used to maintain average work forces during periods subsequent to receipt of the loan funds that are not less than 75% of the average work force during the period before the loan. The loan is payable for a five-year period, with interest accruing at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

The School expects to recognize revenue from this loan in 2018-08, as the State will continue to review whether the loan meets the requirements. The State will provide more definitive guidance in the future.

**Note 7 - Loans Payable**

The School's loan activity can be summarized as follows:

- On 6/30/19, the School received a loan from an individual for \$40,000. The full amount of the loan was repaid in full during 2020. There was no interest accrued on this loan.
- On 6/30/19, the School received a loan from an individual for \$40,000. The full amount of the loan was repaid in full during 2020. There was no interest accrued on this loan.

**Note 9 - Significant Concentrations**

The School is dependent upon grants from the NY State Office of Education, the NYCDOE, and the NYCDOE. For the years ended June 30, 2019, and June 30, 2018, the School received approximately \$1,100,000 and \$1,100,000, respectively. If the NYCDOE were to discontinue funding, it would have a severe economic impact on the School's ability to operate.

**Note 10 - Commitments and Contingencies**

During the year ended June 30, 2020, the School entered into a lease agreement with Friends of Elm Community Charter School, Inc. for a new educational facility located at 85-236 Cooper Avenue, Queens, NY. The lease became effective July 1, 2020, the following year.

The School entered into another lease agreement with Friends of Elm Community Charter School, Inc. for a new educational facility located at 85-236 Cooper Avenue, Queens, NY, that is anticipated to become effective July 1, 2022. The lease mentioned in the preceding paragraph expires. This lease expires July 1, 2022.

Future minimum payments under these leases are as follows:

Year ending:	June 30, 2021	\$1,100,000
	June 30, 2022	1,100,000
	June 30, 2023	1,800,000
	June 30, 2024	2,139,459
	June 30, 2025	2,139,459
	Thereafter	87,410
Total		<u>\$954,009</u>

**Note 10 - Retirement Plan**

The School has a retirement plan for its employees. The School contributes to this plan on a discretionary basis. For the years ended June 30, 2019, and June 30, 2018, the School contributed \$34,125 and \$14,261, respectively. Salary deferrals and matching contributions are immediately 100% vested.

**Note 11 - Availability and Liquidity**

At June 30, 2019, the School's cash and cash equivalents were \$790,909, and the School's government grants receivable were \$90,088. Within one year of \$90,088 are available for the School's management, the School operates its operations and relies on grants and

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position. Financial statements were available to be included in the statement of financial position as of the date of the statement of financial position. Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position.

#### Note 13 - Other Matters

In January 2020, a public health emergency was declared due to the outbreak of COVID-19, which led to quarantines, facility closures, and travel and logistics restrictions in various countries. These events have had a significant impact on our business operations, including program operations, and increasing demand for our services. Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position. Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position.



IRA L. SCHALL, CPA  
DAVID C. ASHENFARR, CPA  
MICHAEL [REDACTED]

**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 AUDITING STANDARDS**

Independent [REDACTED]

USA [REDACTED]  
Elm [REDACTED]

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards of the American Institute of Certified Public Accountants, the financial statements of Elm Community Charter School (the "School"), which comprises the statement of financial position as of [REDACTED] 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related ratios to the financial statements, and have issued our report thereon dated October [REDACTED].

**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. Our consideration of internal control was for the limited purpose of [REDACTED] 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 [REDACTED] or detect, and [REDACTED] a combination of deficiencies in internal control that results in a [REDACTED] material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely manner. A [REDACTED] in internal control that is less severe than a [REDACTED] requires 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 [REDACTED] material weaknesses of [REDACTED] significance during our [REDACTED] audit. [REDACTED] material weaknesses may exist that have not been identified.



**Compliance**

As part of obtaining reasonable assurance about whether the 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 material effect on the financial statements. However, testing of these provisions was not an objective of our audit, and accordingly, we do not express an opinion on the results of our tests. Any noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this report**

The purpose of this report is to provide an independent opinion on the entity's compliance with the provisions of laws, regulations, contracts, and grant agreements, in compliance with *Government Auditing Standards*. This report is an integral part of the audit and should be read in conjunction with the audit report. The purpose of this report is not to provide an opinion on the entity's internal control and compliance with laws, regulations, contracts, and grant agreements.

  
Schall & Ashenfarb  
Certified Public Accountants

October 15, 2015

ELM COMMUNITY CHARTER SCHOOL  
SCIENCE FINDINGS AND QUESTIONS

Current

None

Prior